

# BUSINESS WEEK

What executives  
earned in 1960

Page 63

Below: In its fight to hold export markets, the steel industry looks to Armco's Logan T. Johnston for answers based on experience. [Industries]



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*L. R. Burkhead*

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# In BUSINESS this WEEK

May 20, 1961

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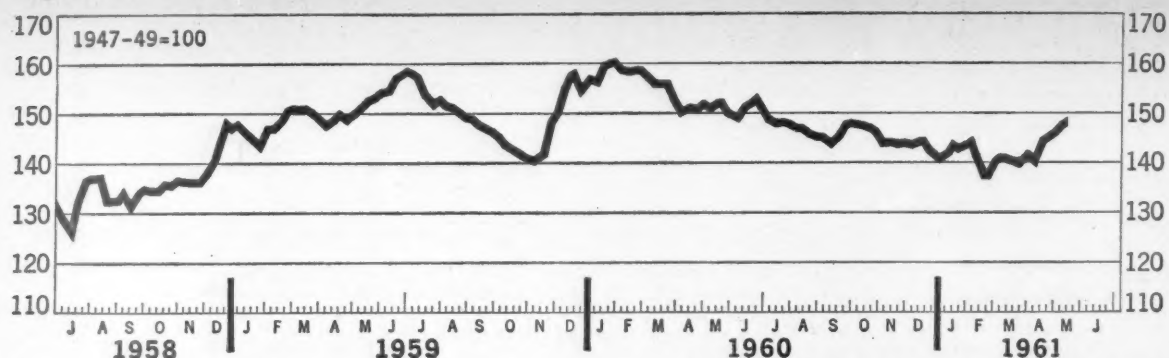
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Number 1655

## Figures of the week



### BUSINESS WEEK index chart

#### Production

	1953-55 average	Year ago	Month ago	Week ago	% Latest Week
Steel ingot [thous. of tons].....	2,032	2,102	1,748	1,943r	1,988
Automobiles .....	125,553	145,917	114,108	124,454r	129,928
Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]....	\$52,412	\$79,475	\$69,443	\$82,958	\$82,677
Electric power [millions of kilowatt-hours] .....	10,819	13,710	14,434	14,206	14,278
Crude oil and condensate [daily av., thous. of bbl.].....	6,536	6,794	7,249	7,139	7,013
Bituminous coal [daily av., thous. of tons].....	1,455	1,400	1,100	1,226r	1,219
Paperboard [tons] .....	247,488	311,066	315,490	325,861	319,615

#### Trade

Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars].....	70	61	53	55	55
Carloadings: all others [daily av., thous. of cars].....	47	46	32	35	36
Department store sales index [1947-49=100, not seasonally adjusted]..	121	156	128	146	140
Business failures [Dun & Bradstreet, number].....	198	304	383	399	368

#### Prices

Industrial raw materials, daily index [BLS, 1947-49=100].....	89.2	93.3	92.9	93.6	93.6
Foodstuffs, daily index [BLS, 1947-49=100].....	90.5	76.9	79.5	78.3	77.8
Print cloth [spot and nearby, yd.].....	19.8¢	20.8¢	17.5¢	17.5¢	17.4¢
Finished steel, index [BLS, 1947-49=100].....	143.9	186.8	186.1	186.1	186.1
Scrap steel composite [Iron Age, ton].....	\$36.10	\$33.17	\$37.83	\$36.50	\$36.50
Copper [electrolytic, delivered price, E&MJ, lb.].....	32.394¢	33.000¢	29.000¢	30.000¢	30.240¢
Aluminum, primary pig [U. S. del., E&MJ, lb.].....	20.6¢	26.0¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc [U. S. del., E&MJ, lb.].....	††	25.01¢	21.89¢	21.93¢	21.75¢
Wheat [No. 2, hard and dark hard winter, Kansas City bu.].....	\$2.34	\$2.03	\$1.98	\$1.97	\$1.98
Cotton, daily price [middling, 1 in., 14 designated markets, lb.].....	34.57¢	32.16¢	31.39¢	31.68¢	31.79¢
Wool tops [Boston, lb.].....	\$1.96	\$1.73	\$1.71	\$1.75	\$1.75

#### Finance

500 stocks composite, price index [S&P's, 1941-43=10].....	31.64	55.26	66.26	66.45	66.83
Medium grade corporate bond yield [Baa issue, Moody's].....	3.59%	5.28%	5.01%	5.01%	5.01%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate].....	2-2½%	4¼%	3%	2¾%	2¾%

#### Banking Millions of dollars

Demand deposits adjusted, reporting member banks.....	††	59,330	61,180	62,250	62,246
Total loans and investments, reporting member banks.....	††	104,006	110,546	111,606	111,272
Commercial, industrial and agricultural loans, reporting member banks...	††	32,186	33,117	33,089	32,995
U. S. gov't guaranteed obligations held, reporting member banks.....	††	26,070	29,761	30,590	30,290
Total federal reserve credit outstanding.....	26,424	27,371	27,978	27,868	27,914
Gold stock .....	21,879	19,359	17,390	17,389	17,394

#### Monthly figures of the week

	1953-55 average	Year ago	Month ago	Latest Month
Housing starts (in thousands).....	April... 101.5	125.2	111.3	118.7
Personal income (seasonally adjusted, in billions).....	April... \$296.1	\$401.9	\$408.0†	\$410.3
Average weekly earnings in manufacturing.....	April... \$73.36	\$89.60	\$90.71	\$91.34
Retail sales (seasonally adjusted, in billions).....	April... \$14.5	\$18.9	\$18.2	\$18.0
Bank debits (in billions).....	April... \$158.1	\$226.0	\$255.4	\$230.9

\* Preliminary, week ended May 13, 1961.

†† Not available. Series revised.

‡ Excluding a stepped up rate of National Service Life Insurance Dividend Payments to Veterans.

r Revised.

§ Date for 'Latest Week' on each series on request.

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## READERS REPORT

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Leonard B. Campbell  
Executive Vice-President  
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Ware, Mass.

Dear Sir:

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I only hope that this "Texas size print" is shared with your other subscribers in less fortunate states.

Johnny N. Martin, Jr.  
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Chicago, Ill.

Dear Sir:

There is little, if any, doubt that the new type is very attractive and easy to read.

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Robert I. Erlichman  
Philadelphia, Pa.

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Hugh G. Monaghan  
The Baltimore News-Post  
Baltimore, Md.

### . . . cons

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Henry J. Scott

Arrow Letters Corp.  
New York, N. Y.

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Just read the "new" Business Week.

Give your makeup man back his tranquilizer. Ugh!

A.J. Goldsmith

A.J. Goldsmith & Co.  
Chicago, Ill.

Dear Sir:

It is probably too late to register a protest, but, as a long-time reader of Business Week, I am not happy about your change of type. The new form of your yellow pages is to me quite difficult to read instead of being much easier and I frankly prefer the old form all the way through. . . .

F. Wadsworth Busk

F.S. Moseley & Co.  
Boston, Mass.

## Unfair to Food Fair

Dear Sir:

Your otherwise excellent article on the nation's twenty top retailers (BW—May 6'61, p64) was marred by completely erroneous figures for the latest fiscal year of Food Fair Stores, Inc. In the process, you demoted Food Fair from tenth spot on the list to number eleven, a retrogression which is hardly in keeping with the company's tradition and the facts.

Actually, Food Fair's sales for the 1960-61 fiscal year ended April 30, 1961, were approximately \$845,000,000, instead of the \$771,000,000 shown. This is a gain of roughly 10%, better than any other retailer on the list save one, whose growth reflected a major acquisition.

Food Fair's earnings are as yet unavailable. Early indications are, however, that they were comfortably in excess of the \$11,395,000 reported for the previous fiscal year. As such Food Fair would become one of six retailers to achieve a gain in earnings, as against fourteen who lost ground.

Louis Stein

President  
Food Fair Stores, Inc.  
Philadelphia, Pa.

May 20, 1961

## Recovery picks up steam

The tempo of recovery quickened last month.

In fact, it turned out to be a lot faster than some observers were willing to admit at the time.

But there's no arguing now with the sharp pickup in the industrial production index, announced last week by the Federal Reserve Board.

That usually slow-moving measure shot up 2½ points to 105 in April, after adjustment for normal seasonal improvement.

In that single move the index returned to the level of five months earlier.

Moreover, it was the sharpest monthly shift since August, 1959, when spreading effects of the steel strike pulled the index down four points.

Throughout the recession it never lost more than 1.7 points in one month.

The April rise was no flash-in-the-pan. It would not be at all surprising if the May index equaled or bettered the April rise. Metals and autos alone could accomplish that.

## Index outruns expectations

Despite mounting evidence that the revival is picking up steam, some business analysts continue to talk cautiously.

This slow recovery theme was the consensus of top businessmen at last week's meeting of the Commerce Dept.'s Business Advisory Council.

Their forecast of industrial production mirrors this hesitant attitude.

They foresee a second-quarter average of only 104% of the 1957 base, moving up slowly to 106 in the third quarter, and a brisk stepup to 110 in the final quarter.

Actually, with the FRB index already at 105 last month and going higher this month, the 106 quarter seems to be in the making right now.

The Advisory Council also hedged its forecast of gross national product.

It predicted a slow and gradual upturn—\$504-billion in the second quarter, and \$510-billion in the third. Added momentum in the last three months, according to BAC, should lift GNP to about \$520-billion, at an annual rate.

But it's not hard to find more optimistic economists who are willing to forecast a fourth-quarter rate of as much as \$525-billion. And many feel that BAC's estimates are conservative.

## Employment gains broadly

It's easier to pick out the bright spots in the nonfarm employment picture in April, now that the Labor Dept. has released the details.

Construction ran away with the honors.

More than 200,000 workers were added to construction payrolls, double the normal seasonal gain.

And service establishments—the fast growing category in the employment tally—added 110,000 employees between mid-March and mid-April.

Even trade employment mounted over the month, despite post-Easter layoffs at retail.

The most encouraging upturn occurred in durable goods employment which, until the April turnaround, had been trending downward for five months.

The April increase was small—only 11,000 jobs—but it centered in metals, machinery, and lumber where the recession first got its start.

## Business outlook Continued

This category is bound to post an even stronger gain in May.

In nondurables, food, chemicals and textiles reported substantial job increases in April. But they were not enough to offset the softness in tobacco, leather, and apparel (though the latter fell less than seasonally).

Factory workers put in longer hours, took home fatter checks in April.

One of the most sensitive barometers of industrial activity—the average work week in manufacturing—edged up to 39.2 hours last month from 39.1 hours in March.

A small gain, to be sure, but heartening all the same when you note that the work week normally contracts at this time of year.

Weekly paychecks averaged 63¢ higher, due to the extra time on the job, plus a slight rise in hourly earnings.

### Income moves to a new high

Thanks in part to the job improvement in the nation's factories, personal income in April moved to new high ground.

At an annual rate of \$410.3-billion, the month's personal income outran the March take by \$2.3-billion—when you exclude March's special prepayment of GI insurance dividends.

And it beat the previous record (an annual rate of \$409.6-billion in October, 1960) by \$700-million.

The pickup centered in wage and salary payments, which mounted to a \$274.3-billion rate in April. That's \$2.2-billion better than March, and the best showing since October.

Steel and autos get most of the credit for the boost, though earnings in trade, services, and government edged up a bit, too.

Another assist came from the increase in number of people qualified for old-age benefits and unemployment checks (under the extended program effective Apr. 1). This pushed transfer payments up \$400-million over March (excluding the veterans' dividend payments).

### More zip in hardgoods

The Commerce Dept. was full of good news this week.

In addition to the new record in personal income, Commerce announced that both new orders and sales of durables jumped 4% over March.

Hardgoods producers booked \$14.5-billion in orders in April. After allowing for the usual seasonal gains, this pulled the month up equal to year-ago figures—the first time this had happened in eight months.

The surge lifted backlogs of unfilled orders to \$43.1-billion—the healthiest level since December.

Most of the impetus was provided by new steel and auto business, plus the awarding of more defense contracts.

Actual shipments of durables, at \$14.2-billion, were not far behind orders. But they have yet to catch up with a year ago.

### Steel to catch up to year-ago level

It's a safe bet that steel production this week will equal the year-ago output for the first time this year.

Partly, you can thank the steel decline a year ago. But steelmakers are posting the 10th consecutive weekly increase, to bring production close to 2-million tons a week.

A general pickup across the board is reinforcing the steel outlook.

Steel consumption has risen smartly in appliances, pipelines, machinery.

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# Why Kennedy is going to summit

**President's decision to meet Khrushchev is a last-ditch attempt to keep the atomic test-ban talks alive. He also will warn the Soviets on Berlin**

**Pres. Kennedy** is in desperate trouble with his foreign policy. He is caught up in a wider range of tough and dangerous international problems than former Pres. Eisenhower ever had to handle at one time. None of the approaches he started with seems to work, or even to make much sense.

This explains Kennedy's sudden decision to meet personally with Soviet Premier Khrushchev in a two-power summit session. On Tuesday, after Soviet Ambassador Menshikov (right) had handed Kennedy a personal message from Khrushchev, things were pretty well set for the two men to meet in Vienna about June 3 or 4, right on the heels of the President's long-planned talks with Gen. de Gaulle in Paris.

Kennedy's main purpose in seeing Khrushchev is to make a last-ditch effort to salvage the Geneva atomic test-ban talks, and thus keep alive the Administration's hopes for a broader approach to nuclear arms control. At the same time, Kennedy will warn the Soviet Premier not to miscalculate in Berlin by wrongly assuming that the U. S. will back away from the use of force there as it has done in Cuba and Laos.

**Lukewarm.** In Washington, at mid-week there was no great enthusiasm for Kennedy's first venture into summitry. Except at the White House, few of his foreign policy advisers expect much to come out of it. There's even some fear that in going to Vienna, the President has downgraded his visit to Paris and hurt his chances of getting agreement with de Gaulle on ways to strengthen NATO.

The real problem, as some officials see it, is whether Kennedy's hand is strong enough today to make any impression on Khrushchev. These officials feel that our position right now is relatively weak, or at least uncertain, in areas that used to provide a source of strength.

To offset this handicap, this group is advocating some show of strength here in the U. S.—a draft speedup or the like—before Kennedy takes off for Paris and Vienna.

From another direction comes the argument that the U. S. is overextended, especially around the periphery of the Communist bloc. According to this view, the need is for a far-flung disengagement. Only then will Kennedy be able to bargain effectively with Khrushchev.

**Stark facts.** Whatever the merits of these arguments, there can be no doubt that the international patterns of the past 15 years are changing rapidly and that our weight in the world is far less than most Americans assumed even as recently as Kennedy's inauguration.

Here are some of the stark facts that Washington must reckon with today:

**In Southeast Asia,** the U. S. has been forced into a retreat that won't end in Laos unless Kennedy is prepared to risk a new Korea in that area.

**In Latin America,** we have had to give up any idea of a joint quarantine of Cuba and now face the collapse of the Organization of American States.

**In the Atlantic Alliance,** there are serious economic and political



**Soviet Ambassador Menshikov** brings Khrushchev's message to White House.



**State Secy. Rusk**, at Geneva, fights to save Laos from being taken by Reds.

strains, plus deep dissatisfaction among our NATO allies with the apparent U.S. insistence on still operating under a strategic concept developed in the days of the U.S. nuclear monopoly.

**At the United Nations**, the U.S. is finding it harder to get backing from the neutralist nations, and we may soon face defeat on Communist China's admission.

**In Washington itself**, there is an obvious organizational weakness today in making foreign policy decisions. Soon after taking office, Kennedy abandoned the Eisenhower setup, including the Operations Coordinating Board. But so far, he has not substituted anything but the "personalized" operating procedures that played such a large role in the Cuban fiasco.

**State's role.** The State Dept. thought at first that under Kennedy it would be heading up both the policymaking and coordinating jobs. But in the Cuban planning, Secy. Dean Rusk was included only as one of a number of individuals, not as the head of the institution that is supposed to shape our foreign policy.

Apparently Kennedy is considering the revival of OCB or its equivalent. But State's role still seems ambiguous. It wasn't in on Kennedy's decision to meet with Khrushchev, although it did handle the diplomatic exchanges that preceded the decision.

**Behind the scenes.** The nature of these exchanges still is somewhat obscure. But here is at least part of the story:

Soon after the international excitement over the "invasion" of Cuba died down, Moscow resumed the diplomatic exchanges that Khrushchev and Kennedy had started some three months ago. The Russians indicated that they are ready to treat the Cuban affair as a mere episode.

Meanwhile, Kennedy had become worried about the impasse Moscow had created in the test-ban talks by insisting that the proposed inspection system be under the control of a three-man board representing the Western powers, the Communist powers, and the neutrals—with each of the three having a veto over any inspection. Kennedy didn't want to break off the talks and face the difficult decision as to whether to resume U.S. testing until he had used up the last remedy available to him.

Almost at the same time, Washington became convinced that Khrushchev planned to push the Berlin situation to a new crisis by signing a separate peace treaty with East Germany before the end of the year.

**Two plays.** Assuming Kennedy

gets no satisfaction out of Khrushchev either on the test ban or Berlin, how will the President play things? Ask that question in Washington this week, and you're likely to get two quite different answers.

According to some of the President's aides, the Vienna summit would then become a sort of turning point in Administration policy. Kennedy would use it as the occasion for a big increase in defense spending and a large expansion of our conventional forces.

Other officials think of the meeting as little more than a means of keeping the diplomatic channels open and a chance for the two chief contenders in the cold war to get acquainted.

**Failure at U. N.** Nowhere in Washington do you find the mood of expectancy and hope that surrounded the Camp David exchanges between Eisenhower and Khrushchev. At best, it looks like a defensive operation on Kennedy's part and one that probably won't have much bearing on the underlying international trends that already have weakened our world position substantially.

Take the outlook in the U.N., which reflects some of these basic political trends. In this international forum, our weight is declining rapidly—so rapidly that the U.S. may well be defeated next fall on the issue of Red China's membership. That could easily lead to a public reaction in this country against U.S. membership in such an organization.

Our difficulty is in getting the backing, and not just on the China question, of the increasingly large bloc of neutral nations in the U.N.—the "other third" as these nations sometimes are called. Washington had hoped until very recently that the U.S. could hold most of this group on our side by taking a strong anti-colonial position and by showing complete tolerance toward neutralism. Now it is becoming clear that Moscow has outflanked us with its "troika doctrine"—the idea that the U.N. and many other international operations should be run by a body consisting of one member each for the West, the East, and the neutrals.

**Latin American road.** Washington officials are even more worried about the way U.S. relations with Latin America are shaping up. Today the OAS is a mere shadow of its former self. It has become little more than an umbrella, and perhaps a leaky one, for the social and economic development programs Kennedy has promised to help finance.

Before long it is likely that some Latin American governments will be

taking an openly neutral position in the cold war much as India has for the past decade. The desire to cut loose from Uncle Sam's coattails is gaining strength every day in Latin America.

Before long, too, you probably will find Latin American governments turning to five-year economic plans on the Indian model. That means they will be coming to Washington regularly, just as India does, to ask the U.S. to cover the bulk of their foreign exchange gap.

**Risk in Asia.** In Southeast Asia, we face a different kind of problem—one that's largely military. In this area the real question is whether the U.S. is ready to risk a Korean-type war on the southern borders of Red China.

If Kennedy is not ready to run this risk, and it would be politically hazardous, it is probably only a matter of time before the West is pushed out of Southeast Asia by Communist tactics of the Laos variety. For all Secy. of State Rusk's maneuvering at the current Laos conference in Geneva, there is nothing he can do by diplomacy to save any part of Laos from the Communists.

**NATO issues.** In the Atlantic Community, the situation is different again, and vastly more complicated. Here, at the core of the free world system, there is an intermixture of military, political, economic, and financial problems that need to be solved if the West is to withstand the thrust of Communism.

Kennedy will be up to his ears in NATO issues when he talks with de Gaulle at the end of the month. The President will have to find out whether there is any way to absorb de Gaulle's nuclear ambitions for France into a setup that would give NATO its own nuclear deterrent. Kennedy also may try to get de Gaulle to give up his ideas of a U.S.-British-French directorate for NATO—which would have worldwide responsibilities—by suggesting a special five-power council that would add a place for West Germany and a rotating seat for the other NATO members.

It's unlikely that any solution can be found for the problems that de Gaulle poses until the question of British membership in the European Economic Community is settled (BW—May13'61,p40). Here again de Gaulle is the key figure. When it comes to strengthening the Atlantic monetary system, it's a case of the U.S. and Britain jointly trying to get agreement from the leading Continental nations. In this case, fortunately, the outlook is more promising.

# Gold reserve hearing off to slow start

**At last minute, proceedings before House Banking Subcommittee were postponed for a week. Treas. Secy. Dillon and Fed. Chmn. Martin are scheduled to lead off**

**The Kennedy Administration's** plans to remove the legal requirement of a 25% gold backing for the note and deposit liabilities of the Federal Reserve System (BW—May13'61,p111) got off to a rocky start this week.

On Wednesday, May 17, Treasury Secy. Douglas Dillon was slated to be the leadoff witness before the House Banking Subcommittee headed by Rep. Abraham J. Multer (D-N.Y.). But at the last minute, the hearings were postponed until Monday when Dillon and Federal Reserve Chmn. William McC. Martin, Jr., are scheduled to appear.

The sudden switch in plans touched off rumors that the move might be sidetracked entirely, and the hearings canceled. But officials both at the Treasury and in Congress denied that this was the case. Though the Administration has taken the attitude that the entire gold stock is available if necessary to defend the international standing of the dollar, it wants to remove any possible doubt about its readiness to meet demands for gold transfers.

**Pressure for change.** Pressure to eliminate the gold reserve has been building steadily. As long ago as the fall of 1959, Roy L. Reiersen, senior vice-president and economist of the Bankers Trust Co., said the gold reserve should be dropped. He was seconded a year later by Henry C. Alexander, chairman of Morgan Guaranty Trust Co. More recently both the Committee for Economic Development and Congress' Joint Economic Committee have added their collective voices. The joint committee acted without dissent from its Republican minority.

However, the Administration is anxious to avoid a political hassle over the gold reserve issue, which is probably why the hearings were put off this week. It's probable that Dillon wants to get in some politicking before he testifies.

Actually, even the staunchest advocates of keeping the 25% gold reserve requirement admit that it

hasn't much more than a symbolic value. Since 1913, when the Federal Reserve System was established, the actual gold reserve ratio has only twice come close to the required ratio. And the last time this happened—in 1945—the requirement was simply lowered to the present level of 25% in order to avoid any possible conflict with the law. (It used to be 40% against notes and 35% against deposits.)

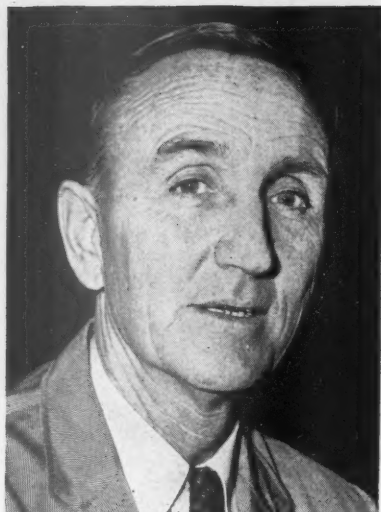
**Origin.** The 25% gold requirement traces back to the days when currency was freely convertible into gold coin and when international gold flows exerted a dominant influence on domestic monetary policy. But this "automatic" gold standard went by the boards in the years following World War I.

Gold is still used to settle international payments between countries—but when gold is transferred, say, from the U.S. to Great Britain, both the Federal Reserve and the Bank of England will attempt to neutralize the impact of the flow.

Many countries have dropped or abandoned legal requirements tying domestic currency to the level of international reserves. Canada, for example, has no required backing for its dollar at all. And England, in effect, has only a nominal requirement.

**Opposing views.** Nevertheless, there's still a strong group that thinks reserve requirements are necessary. The reasoning is that the requirement serves as a restraint on inflationary policies, even if only a symbolic one. To let reserves go below the legal level is a warning signal, a reminder that inflation is threatening.

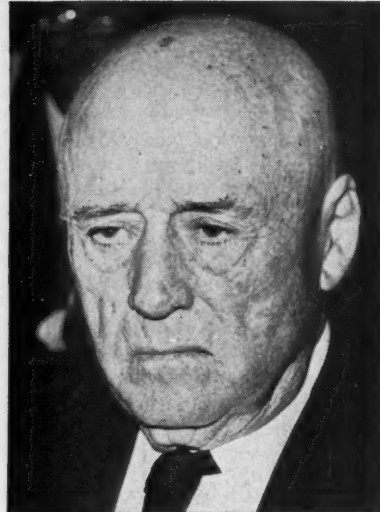
On the other hand, Henry Alexander observes that "nearly \$12-billion worth [of U.S. gold] is set aside as a reserve against something it cannot be used to redeem." He calls this "illogical," and says repeal of the gold reserve requirement would lead to "a more realistic statement of the strength of our gold position."



Senate leader Mansfield, more conservative, has buried differences with...



Democratic whip Humphrey, spokesman of left, in united front for Kennedy bills.



Speaker Rayburn, once thought doubtful, effectively leads new coalition.

## In Congress

# Pro-Kennedy coalition gains power

**New pattern in Congressional politics, with urban and Eastern members of both parties joining forces, means President will likely get most of bills he wants**

**Pres. Kennedy** is beginning to get his way with Congress. It looks this week as if he will get most major points in his legislative program, substantially in the form he asks.

His rising success results from a changing pattern in Congressional politics. The old GOP-Southern Democratic coalition that dominated Congress in the waning days of the Eisenhower Administration seems to be breaking up. A new coalition of urban and Eastern members of both parties is increasing in power.

The Democratic Congressional leaders (pictures, above), despite long-standing differences of opinion, are now uniting and proving effective in lining up votes for Kennedy.

Administration leaders, once doubtful of House Speaker Sam Rayburn's enthusiasm for the New Frontier, point to his almost unqualified endorsement of the Kennedy program. Chmn. Wilbur D. Mills of the House Ways & Means Committee goes along, but the real test of his devotion to Kennedy will come in the way he handles the Administration tax plan (page 36).

**Middle roader.** Also basic to the

success of the Kennedy program, of course, is its modesty. The President has not proposed much that really scares the conservatives. He is compromising, too, where necessary to get a bill through—dropping laundry workers from coverage of minimum wage, for example, and holding back on any new civil rights legislation.

Kennedy, in effect, has usurped the middle of the road, drawing into the working majority the marginal Republicans and Southern Democrats who would have opposed a more ambitious program.

**New mood.** As a result, the sluggish mood of the first three months has given way to a "get on with the show" atmosphere. Even the loss of personal prestige supposedly suffered by Kennedy in the Cuban fiasco has not demonstrably weakened his power with Congress. In fact, the Cuban trouble spurred an unprecedented approval of the \$600-million he asked for Latin America, and may help other foreign aid programs.

By the end of this session the President will have come through with most of the legislation sought by Democrats for years under the

Eisenhower veto. He will have "caught up" with old Democratic demands in social welfare legislation. But there will be little new or dramatic.

Whether the President initiates a new cycle in Democratic thinking and proposals once the old program is enacted remains to be seen.

**Delayed action.** Congress' lagging start was due to a protracted fight over reorganization of the House Rules Committee to put the Kennedy forces in control—a fight the President won by five crucial votes.

Without much further action, congressmen went home for spring vacation and came back with a near-unanimous report: Kennedy was personally popular but nobody was steamed up about his program.

However, in the last five weeks Congress pushed through a program to aid depressed areas, an increase in the minimum wage, and aid to Latin America. The House has passed bills to lower the Social Security retirement age for men to 62, raise motor taxes to finance highways, and double federal grants for sewage treatment plants.



**Rep. Wilbur Mills**, in key spot, helps to move bills he doesn't always agree with.



**"Ev and Charlie"**—Republican leaders Sen. Dirksen (left) and Rep. Halleck—try to hold conservative coalition by weekly show, but liberal Republicans slip away.

This week Democratic Congressional leaders are optimistic about enacting a \$2.3-billion aid-to-education measure granting money for public school construction and, perhaps, money for teachers' salaries.

**Conservative decline.** What is happening to the conservative strength in Congress?

Conservatives were pinning their hopes on the House, where Republicans last year replaced a number of Democrats with conservative Republicans for a net gain of 21 seats. By those odds, opponents of Kennedy's New Frontier program should have strengthened their margin.

But when, for example, the depressed areas bill came up, the Republicans under the leadership of Rep. Charles A. Halleck of Indiana lost 31 votes to the Democrats—one-fifth of the GOP strength.

On minimum wage, the Administration lost an early test vote in the House by one vote. But Administration forces, shocked into action, rallied and put the final bill through 230-196. Thirty-three Republicans defected to the Democrats.

**Republican shifts.** The inroads of the Democratic Kennedy forces are due basically to Republican loss of the White House. Big city Republicans could more easily afford to follow the party line and vote against social welfare measures when they had a popular President to tell the public that these were undesirable bills—and promise to veto them.

Now, Republican congressmen have no national party spokesman. When they run for reelection next year they will be completely on their own—on their own voting records more than on a party label. For a

New York or New Jersey Republican, this usually means "vote liberal."

These Republicans are trying to disassociate themselves from the GOP image projected by their own Congressional leaders—Sen. Everett M. Dirksen of Illinois and Rep. Halleck. The "Ev and Charlie show"—the weekly press conference of the GOP Congressional leaders—is almost an embarrassment to them.

**Pressure on Southerners.** Kennedy is also making substantial gains among the Southern Democrats. When the minimum wage bill was up for final vote, White House liaison men told labor union lobbyists: "You go after the Republicans; we'll take care of the Democrats."

Wavering Democrats were reminded that Congress had just authorized the President to appoint 73 new federal judges, and congressmen were pushing candidates. Congressmen with public works proposed for their districts got a broad hint.

The North Carolina delegation, which largely opposed a minimum wage increase last year, marched down the aisle for it this time. Reports are that Secy. of Commerce Luther H. Hodges and his successor as governor of North Carolina, Terry Sanford, have been telling the congressmen the way to get ahead in North Carolina politics these days is to follow the Administration's lead.

Economics is helping the President convert some Southerners on aid to public schools. Southern states are finding it increasingly hard to raise local funds for schools and are dropping their objections to federal aid. The Georgia legislature recently endorsed federal aid, and Rep. Carl Vinson of Georgia, senior member of

the House delegation, is switching to the Administration view.

**Prospects.** With this new political pattern developing, here's the status for measures now in the works.

Favorable Senate action is likely this week on aid to education, with \$252-million more than the President asked.

For parochial schools, Democratic leaders plan to expand the National Defense Education Act, which permits loans to both private and public schools for equipment in science, math, and language classrooms.

The outlook for action on housing measures—perhaps in slightly reduced form—is good. The \$3.2-billion housing program, including urban renewal, more public housing, and 40-year no-downpayment loans, has passed a Senate Banking & Currency subcommittee.

There seems little chance, however, for the President's tax proposals (page 36) and requests for postal rate increases.

In defense, the Administration plans to ask more spending for conventional warfare weapons and a speedup in the space program (BW—May 13 '61, p. 33). The Senate this week went along with Kennedy's recommendation to cut \$138-million from B-70 supersonic bombers, but added an extra \$525-million for long-range B-52 bombers. The procurement authorization, totaling \$12.5-billion for planes, ships, and missiles, now goes back to the House.

When foreign aid gets to Congress, a tough fight is expected on long-term commitments not requiring annual approval, but Congress is expected to approve plans for reorganizing the foreign aid setup.

# Dream for an island

New Yorkers propose to turn unused isle into 'city,' but project has many hurdles

**Thirty years ago** New York's Welfare Island (right), sprawling in the middle of the East River, was an incredible model of a city penitentiary. Gangsters held an unconcealed affection for its riverfront jails providing a rare choice of suites and a view of New York's skyline. All sorts of businesses, including narcotics, flourished in the convivial atmosphere.

Today, most of the island's buildings are gloomy, empty shells. The only activity is in two hospitals on the two-mile-long, city-owned island, two welfare homes, and Fire Dept. training grounds. The rest is like a huge ghost city.

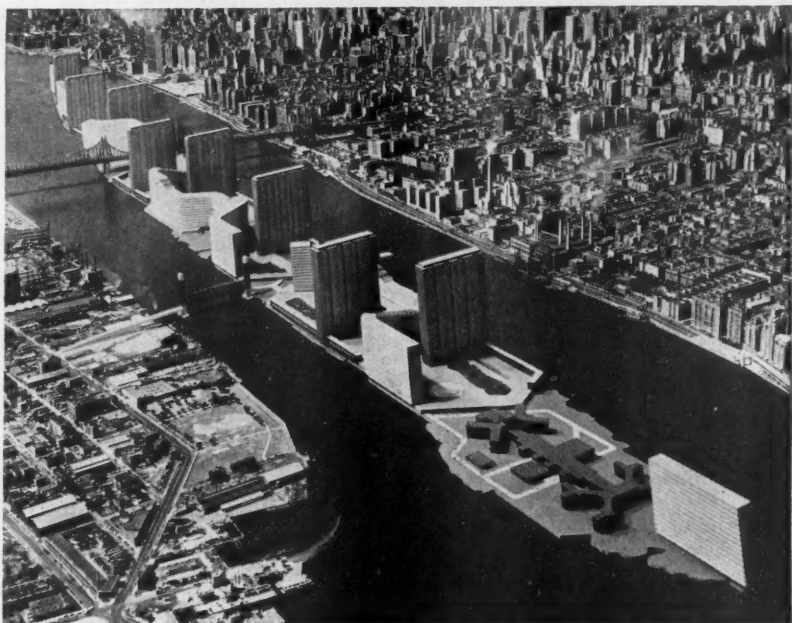
**Idea.** For New Yorkers with a yen to build, the sight of so much unused land is painful. So last week a trio of them came up with a glamor-strewn proposal for transforming Welfare Island into a giant, \$450-million community complex of 20,000 apartments, to house 70,000 people. The three men, who issued their plan as chief officers of their East Island Development Corp., are Frederick W. Richmond, financier; Victor Gruen, an architect; and Roger L. Stevens, a real estate developer.

Their picture of a "city" of apartment houses as high as 30 and 50 stories (lower picture), with special buildings for the elderly, offered little immediate hope for apartment-hunting New Yorkers. It would take seven to 10 years to complete, "depending on the bureaucratic red tape involved." But, as the backers described it, some day East Island would be a quiet haven free of automobile traffic, with moving sidewalks and "Carveyors," its own schools, libraries, shopping centers, offices, recreation areas.

**Hurdles.** So far, the plan has no official approval, though Mayor Robert F. Wagner calls it "daring and imaginative." Details are still uncertain. It aims at low and middle income tenants; but rental figures given range from \$50 to \$60 a room, mentioned in an early brochure,



Welfare Island, city-owned, has municipal hospitals and homes, unused jails.



East Island project would replace it with community of 8- to 50-story apartments.

down to \$20 or \$25. Financing is still a matter for the future, though an application under Title I is being considered.

Moreover, the plan has a rival in Terrace City, a project to be unveiled May 25 by Columbia University's School of Architecture. Terrace City would contain five truncated pyramid-like buildings, to be owned by the United Nations and house 20,000 to 25,000 U.N. personnel, with a 1,000-room hotel besides. This is the brainchild of Prof. Percival

Goodman of Columbia and six graduate students.

**Question.** If the glamorous project surmounts its other hurdles, it still raises difficult questions for New York City. Does the city want to sell the land? Does it want more high-rise apartments, almost in the heart of the city, bringing a 4% population increase to the area? Strapped for money now, does the city wish to spend capital for schools, parks, subway, police and fire stations, then dig up money to run them?

# SEC broadens its stock manipulation probe

Commission decides to make full-scale investigation of ASE concentrating on activities of the specialists, but Wall Street takes the news calmly

This week, after a series of secret consultations (BW—May13'61,p118), the Securities & Exchange Commission ordered a full-scale investigation of the American Stock Exchange. The action stemmed from the SEC's proceedings against Gerard A. Re, and his son, who were among the biggest specialists on the ASE before being suspended for fraudulent activity (BW—May6'61, p82).

Specifically, the SEC investigation will make a thorough inquiry into the ASE's ways of doing business, concentrating on the activities of the specialists, particularly those who handle some of the wider moving glamor stocks.

Wall Street itself has been concerned about the rise in speculative activity over the past few months. Ever since the bull market resumed last November, there's been a lot of comment about the frothy action in many stocks. The SEC's decision, though, is the first strong indication that the government thinks the conduct of the financial community requires direct intervention.

**Board reacts calmly.** The news broke after the close of the ASE on Monday. Some brokers expected that it would bring a sharp reaction in the market. Instead, prices of most ASE stocks showed little change, although trading volume dropped off sharply. Said one broker: "If investors were really nervous, they would have been selling. I guess confidence is strong—both about the economy and about Wall Street."

It's unusual for the SEC to make a public announcement of an investigation. The normal procedure is first to conduct a private inquiry and then, if action is called for, to make its findings public. This week's announcement is due to the fact that so many people will be involved that secrecy would be hard to enforce. But SEC's staff will carry out the investigation behind closed doors.

Edward T. McCormick, president of the ASE, and Joseph F. Reilly, its chairman, met with the SEC in Washington before the announcement was made to the press. They issued a statement of their own that welcomed "a thorough check of our operations at this time because of the unwarranted inferences which had been made by some as a result of the recent action taken by the commission against Messrs. Re and Re."

**Brokers split.** In Wall Street there were mixed reactions. Some brokers felt that the SEC was engaged in a fishing expedition, and feared that the investigation might shake public confidence in the whole financial community.

But many others thought that the investigation, even if it revealed more instances of questionable or illegal activity, was in the public interest. The fact is that many brokers are critical of the ASE, where price movements on a large number of stocks have been subject to big fluctuations, both up and down. As one broker put it, "Everyone is talking about the new yo-yo craze. Well, some of the stocks on the American go up and down like a yo-yo."

**Re, Re affair.** Most of the ASE's specialists and floor brokers refused to make any statements. But in private they wondered whether the SEC had uncovered other questionable cases in their long investigation of the Re, Re affair.

The two Res were charged with illegal distribution of over \$10-million worth of stock during a six-year period at a reputed profit of between \$2-million and \$3-million. Their operations violated the rules of both the SEC and the ASE, and SEC officials are concerned that the Res continued for so long without the ASE being aware of their misconduct and taking preventive action.

The SEC noted that after the Res were suspended, they paid \$200 a



ASE Pres. Edward T. McCormick says he welcomes a check of its operations.

week to a temporary specialist for handling their list of stocks. According to the SEC, the temporary specialist made a "number of significant trades," mainly at the daily trading close in stocks that the Res were manipulating. This week rumors were buzzing that the Res still had a stake in some ASE stocks.

**Stricter policing.** Some ASE members admit that its self-policing is not so strict as that of the New York Stock Exchange. And there's a suspicion that a considerable amount of rigging has gone on in certain issues. The main area in question is the low-priced stocks, where comparatively small swings could be extremely profitable. One observer pointed out that in reporting the five most active stocks, the ASE doesn't include issues priced under \$1, although they are sometimes the subject of the heaviest trading.

Actually, the ASE has been tightening up on its rules and regulations. For example, last month it put through a ban on the use of stop orders because it felt they had been generating wide price movements. And after the Re scandal first broke, it established new rules governing specialists' activity in over-the-counter trading. Now an ASE specialist is not allowed to buy or sell off the board any security in which he maintains a market, and he cannot acquire stock for his own account in a private placement.

**Club atmosphere.** Because the

ASE has relatively liberal requirements for listing securities and comparatively modest financial requirements for either floor brokers or specialists, its atmosphere has always seemed more friendly and relaxed than the NYSE. According to one broker, "It was a real club, and I guess we all winked at a lot of things." And some point out that a few specialists were under-capitalized, so if they were squeezed they might resort to some questionable activities.

But many ASE specialists believe that they are being victimized because of the Re revelations. As one ASE member put it, "We're being treated as fall guys. Why doesn't the SEC look into the new issues market, or what's going on in the over-the-counter market? For that matter, a lot of stocks on the big board have been going crazy."

**NYSE.** The SEC has no plans at present to investigate the NYSE. But Keith Funston, president of the NYSE, got into the act with a statement emphasizing its self-policing practices. He said: "We believe that the public interest requires tough policies and vigorous self-enforcement. While I have no specific knowledge of the matters the SEC proposes to survey in its study of the ASE, it is well known that over the years the NYSE has built up an effective body of rules and regulations governing the use of its facilities and the activities of its members and member organizations."

Behind the scenes, however, officials of the NYSE were rumored to be making a fresh examination of some of the issues registering big price changes and heavy trading volume on its own list. A member of one firm said he wouldn't be surprised if the NYSE made a general check of members' finances.

**Ultimate effect.** Few brokers think that the SEC investigation will lead to any wholesale changes in Wall Street. But the commission has the authority to issue its own rules covering the conduct of specialists and floor traders on registered exchanges. According to Philip A. Loomis, head of the SEC's Div. of Trading & Exchanges, which will conduct the investigation, one result of the inquiry might be a request that Congress require the exchanges to enforce strictly their own rules.

But the SEC isn't sure of just what it will find—or what it will recommend. And at present there's a wait-and-see attitude on Wall Street. As one broker summed up, "We may get bruises, but the only way to keep the public's confidence is to make sure we run a clean show."



In former Ford dining room, 15 men and a woman (Anna Lord Strauss, on right) discuss university use for house. British historian Sir Arnold Toynbee (white hair) is fourth on left, beyond Eustace Seligman, George W. Romney, Robert W. Craig.

#### Fate of Fair Lane

## Ford's old mansion gets a role in college

**University of Michigan group agrees to recommend setting up not just another conference center but a place to experiment with conference techniques**

**Henry Ford I**, a self-made man who had no use for formal education (he didn't even let son Edsel go to college), was fortunately not present this week as educators and their advisers from the business world debated what use, if any, the University of Michigan had for his 56-room mansion, Fair Lane.

Five years ago, Ford Motor Co. gave Fair Lane and its 210 acres to the university, which developed part of the grounds as its Dearborn Center. But the house, a low pile of masonry, and its gardens lay out of sight in the trees, idle.

This week, university officials called a luncheon meeting of distinguished scholars and businessmen (pictures) to consider ways of making Fair Lane "a center devoted to the improvement of the quality of democratic discussion."

**Center for experiment.** The con-

sensus—at least no one took issue with it when moderator Roger W. Heyns, dean of the College of Literature, Science & the Arts, summed up—was that another conference center would be useful to the country not as a conference center directly but as a center for experimenting with the conference technique.

Many of the guests, it turned out, were sharply critical of having still another conference center like Arden House, Aspen Institute, and the rest. The idea of making it an experimental center might have appealed to the elder Ford, but he certainly would have bridled at the way some of the conferees looked at Michigan's gift horse.

The university faculty proposal to set up a place "to crystallize reasoned disagreement, not to achieve vacuous consensus in matters about which reasonable men disagree" was



**Over the banister**, five conferees view the dark-paneled interior of Fair Lane: (left to right) Pres. George W. Romney of American Motors Corp.; Exec. Secy. Robert W. Craig of Aspen Institute; Eustace Seligman, partner in Sullivan &

Cromwell; Dean Roger W. Heyns of Michigan's College of Literature, Science & the Arts, moderator of the conference, and Dean Floyd A. Bond of the School of Business Administration at the university. Decor is Scottish baronial.

termed "an extraordinarily good idea, a most refreshing thought" by Eustace Seligman, a partner in Sullivan & Cromwell and a director of American Motors Corp.

"The great trouble in conferences I've attended," Seligman said, "is that you get people to sign a document that is emasculated. This forum is a wonderful idea, but it could be carried out any place, even in an office building in Detroit."

He added that Amherst College, of which he is a trustee, is closing its Merrill Center at Southampton, L. I. ("twice as beautiful as this") because the trustees cannot justify using college funds for so limited an educational use.

David Riesman, Harvard professor of social science, also had his doubts about "another mansion like so many cluttering the landscape."

**Clearinghouse.** Robert W. Craig,

executive secretary of Aspen Institute, first suggested a clearinghouse for conferences. "The thing that appalls me," he said, "is that in all the conferences I've attended, there is so much waste motion." Fair Lane, he proposed, should be a place to study "the art of conferences, the interaction between groups."

This idea and the thought of "a center for disagreement" appealed to Sir Arnold Toynbee, British historian. Toynbee is disturbed by the growing "submissiveness" of Western peoples. "No government is good," he said, "unless the people are always getting after it."

American Motors Corp. Pres. George W. Romney countered that agreement still is important, that "the problem is to achieve unity out of diversity." He maintains that there isn't so much agreement as people think—"for instance, I personally

don't believe in describing our system as capitalism." (On other occasions, he has called it "consumerism.")

**Decision.** By the end of the day, it was obvious that the university will find some way to keep the building in use, probably with the experimental conference center. One good argument for such a use was advanced by Donald Michael of the Brookings Institution: It would be easy to get financing for an experimental center, perhaps not for another conventional forum.

Earlier, while the group was still groping toward the experimental center concept, Michael had asked: "I wonder if there is a way to justify losing money in an enterprise such as this."

And Heyns had dryly remarked: "We have demonstrated our capacity to lose money."



FCC Chmn. Newton Minow lashes out at quality and inadequacies of TV programs

## FCC flicks its whip at telecasters

**Minow's threat to bring networks under FCC licensing control unless they upgrade their programs brings protest from industry, some praise from admen**

**This week**, the radio and TV station owners who make up the National Assn. of Broadcasters were reeling from a one-two punch delivered at their convention by two principal speakers—new NAB Pres. LeRoy Collins and new Federal Communications Commission Chmn. Newton Minow.

Collins, keynoter of last year's Democratic convention, broke with association form by jabbing at his members for their programing and their dependence on ratings. Then Minow belted the broadcasters with blows aimed at network power, station performance, and programing

inadequacies. In one of the most critical indictments ever handed the broadcasting industry, Minow called TV's programing a "vast wasteland."

**Second thoughts.** The broadcasters, accustomed to comfortable comments at their annual conclave, were outraged, at first. But by this week they and the rest of the advertising industry had cooled off a bit, and were questioning how much power their challengers packed in their punches.

In New York, an industry almost inured to attacks on program quality quickly made at least a showing of improvement. For instance, Minow

had asked: "Is there no room for a children's news show?" By midweek, two networks had found room for such a show. Privately, the nets admitted they are afraid of coming under FCC control.

**What Minow means.** Minow's speech crackled with phrases worthy of his former law partner Adlai Stevenson. Diverging sharply from his predecessors at FCC, Minow directed his thrusts at TV's low level of program quality. He told the broadcasters: "It is not enough to cater to the nation's whims—you must also serve the nation's needs." He reminded station owners that they hold federal licenses only in return for their promise to broadcast in the public interest, and warned: "Some say the public interest is merely what interests the public. I disagree . . . your obligations are not satisfied if you look only to popularity as a test of what to broadcast."

Collins upbraided his broadcaster employers for depending on ratings that, he claimed, have yet to prove their truthfulness. Minow accepted tentatively the accuracy of the ratings in measuring the size of TV audiences, but contended that ratings do not measure more important audience qualities such as "depth of penetration" or "intensity of reaction."

**How to do it.** Minow clearly was waving both a carrot and a stick at broadcasting, but the stick was bigger than the carrot. He exhorted TV to engage on a do-it-yourself project to improve programs. But he warned: "Clean up your own house or the government will do it for you."

Minow prodded the networks by telling them that he will press the current FCC study of their operations to a speedy conclusion. This hint, coupled with his other statements, suggests that he will seek Congressional authority to bring the networks—and not just individual stations—under FCC control.

**Time contracts.** In another recent move, he persuaded FCC to reconsider its decision that it had no authority over option time contracts. These contracts legally require a network's affiliated stations to carry a minimum amount of network programing each day. If FCC now decides that option time contracts are illegal, it will knock out a major pillar of the network system.

Minow then reminded the individual stations that they have to prove to FCC every three years that they have lived up to their promises to broadcast in the interests of their local areas. He announced that FCC will travel the circuit on these re-



## "Go and look behind the ranges..." *Kipling*

The sun never sets on the oil seekers—the restless men whose rock hammers, seismographs and drill bits must find the oil the world wants. Growing demand for petroleum energy sends them roving the remote areas of the globe. Here two Sinclair geologists scout above the Arctic Circle in Alaska.

Last year Sinclair subsidiaries sought new oil and gas in many places. They found new fields in the

U.S.A., Canada, and Colombia. They were encouraged in Somalia, hopeful in the Sahara. In 1960, despite import and other restrictions, Sinclair's liquid hydrocarbon output rose to the second highest point in history. Natural gas production set a record.

Petroleum continues to be our prime energy source. Through its oil seekers, *Sinclair is storing up reserves to meet the future's insatiable demand for energy.*

**AAPG—Sinclair salutes the American Association of Petroleum Geologists for furthering knowledge of the earth's history and its application to petroleum prospecting. Founded 44 years ago, the AAPG—through its 15,000 members—stimulates testing and standardization of geologic procedures and encourages education in its field, thus helping build essential energy reserves.**



**SINCLAIR OIL CORPORATION • 600 FIFTH AVENUE • NEW YORK 20, N. Y.**

newal hearings and literally will invite the public to comment on the station's performance.

Under its new chairman, FCC already has designed a new reporting system by which the stations must keep the commission informed about their programing. Minow warned the stations that these reports will emphasize the individual station's performances in actually carrying the small amount of public service programing the networks now send out. He indicated that FCC will crack down on stations that drop such programs in favor of running old movies.

**More competition.** Minow struck special terror in the hearts of both networks and stations when he told them: "I believe that most of television's problems stem from lack of competition." He said that he intends to push legislation to open up UHF channels for TV, a move that would open the airwaves to four or five

times the present number of stations. Minow predicts that this can lead to six networks rather than the current three, and twice as many stations in most cities as are now operating. More important, he feels that this expanded system would produce a diversified TV system offering a wider range of programs.

**Reaction.** Washington is impressed with the 2,000 mostly enthusiastic letters, telegrams, and phone calls Minow has received since his talk. Congress seems likely to move favorably on his requests for additional FCC authority. Congress probably will pass a bill to increase greatly the powers of the FCC chairman.

But Minow's proposal to deny renewal of a station's license on the grounds of poor programing will face stiff legal resistance. Minow probably can carry a majority of the FCC on such a precedent-setting decision. But the commission can expect a legal struggle that would

probably stretch up to the Supreme Court.

The basic issue would pit two fundamental tenets of our system against each other: the government's duty to insure proper use of a scarce public resource—the airwaves—vs. the First Amendment's guarantee of freedom of the press.

**Admen speak up.** While networks complain, especially about the UHF proposal, Madison Avenue response is more favorable. George Gribbin, president of Young & Rubicam, Inc., agrees that increasing the number of stations would induce greater diversity in programing, but notes that adding more networks might work in the opposite direction—perhaps lead to lower quality. Newman McEvoy, senior vice-president of Cunningham & Walsh, Inc., welcomes the proposal as a way to make TV a more varied and useful medium for both listeners and advertisers.

# Tax plan draws more brickbats

**Witnesses for industries that are supposed to get principal benefits from Kennedy's proposal say incentive is needed but this is wrong way to provide it**

**Buyers and sellers** of capital goods—who are supposed to benefit from the Administration's \$1.7-billion tax credit scheme to modernize U.S. plant and equipment—are telling Congress they would really prefer something else.

They sounded forth loud and clear as the House Ways & Means Committee was winding up five days of hearings this week on the proposal to allow up to 30% cut in a company's yearly tax bill, depending on its spending and its depreciation allowances.

Among those heard from: the Machinery & Allied Products Institute, the U.S. Chamber of Commerce, the Bridgeport Manufacturers Assn., American Telephone & Telegraph Co., the Committee for Economic Development, and about 50 other witnesses including public accountants, professors of taxation, investment experts, and the AFL-CIO.

**Lone voice.** Investment counsel Imrie de Vegh, of New York's De Vegh & Co., stood alone in saying that the Treasury's investment credit proposal would "produce the largest amount of new investment per dollar

of revenue lost" to the Treasury. Virtually every other witness found serious flaws and future problems—and urged the committee to enact some form of liberalized depreciation allowance.

George Terborgh, representing the Machinery & Allied Products Institute, whose members have a large stake in any government-stimulated plant modernization program, took this position:

The incentive and stimulant is needed—but not the Administration proposal to allow a 15% tax credit for spending that exceeds a company's depreciation allowances, and a 6% credit for spending that is 50% to 100% of its depreciation account. He argued that this system "is as complicated as it is novel," it opens the door to litigation, and it would tend to put more swing into the business cycle by giving greater stimulation at the top of a capital goods boom and less during a recession.

**Across the board.** For these and other reasons, MAPI recommended—if the tax credit method is to be adopted—that it take the form of a straight across-the-board percent-

age allowance on all spending for capital goods, without regard to the company's depreciation accounts. This would at least be "neutral," so far as the business cycle is concerned. Terborgh said at least a 10% rate is needed.

However, MAPI would prefer "one of the simplest quick-acting devices"—a 30% initial write-off on all new investment in plant and equipment. At present a 20% initial allowance is permitted, as an aid to small business, but it can be applied only on spending up to \$10,000.

Joel Barlow, tax lawyer for the firm of Covington & Burling, spoke for the U.S. Chamber of Commerce, favoring lifting the \$10,000 on the 20% initial allowance, which he said would take into account the extraordinary "first-year obsolescence" of new equipment purchases.

**The cost.** Ways & Means Chmn. Wilbur D. Mills (D-Ark.) was told that the 10% across-the-board tax credit would cost \$2.5-billion in revenue the first year; the 20% initial allowance with no ceiling, \$2-billion, and the 30% initial allowance, \$3-billion.

# PROTECTION IN DEPTH

How it helps cut compensation costs



## Knocking months off the time a man is laid up

Heavy lifting and falls account for roughly 40 per cent of the injuries treated each year at Liberty Mutual's two rehabilitation centers. Many of these are ruptured spinal discs which require an intricate operation.

Then comes rehabilitation. The program may last from six to eight weeks. Therapy includes heat, massage, swimming, workouts with barbells, chest pulleys, a bicycle machine — and scientific exercise of the back, legs or arms on an Elgin table. Without treatment like this it might be many months before a patient could go back to work.

Much of Liberty's protection in depth aims at stopping accidents before they happen. A staff of industrial hygienists, for example, help policyholders control losses from heat, radiation, dust or noise. Safety specialists help policyholders set up employee training programs and instruct supervisory personnel.

Last year Liberty's protection in depth was a vital factor in enabling Liberty's workmen's compensation policyholders to save many millions of dollars. To learn how the many services of protection in depth can help lower *your* compensation and public liability insurance costs, call the nearest Liberty Mutual office.

Look for more from

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the company that stands by you

LIBERTY MUTUAL INSURANCE COMPANY • LIBERTY MUTUAL FIRE INSURANCE COMPANY • HOME OFFICE: BOSTON

Personal Insurance: Automobile, Fire, Inland Marine, Burglary, Homeowners • Business Insurance: Workmen's Compensation, Liability, Group Accident and Health, Fire, Inland Marine, Fleet, Crime



# In business

**BW**

## Woolworth, Kresge, and wholesale house to enter the discount field

Two more major retail organizations and a wholesale mail order house are joining the trend to discount merchandising (BW—Apr.29'61,p112).

F. W. Woolworth Co., in a surprise announcement at this week's annual meeting, told stockholders it was opening a chain of discount houses with a minimum of 60,000 sq. ft. per store.

After the announcement, the New York Stock Exchange had to suspend trading in Woolworth stock as a result of the rush of buy orders. Then the stock reopened at \$74.13, up \$6.13.

The S. S. Kresge Co. chain opened its first discount unit outside its headquarters city, Detroit.

General Merchandise Co., Milwaukee wholesale mail order house that supplies some 350,000 merchants, will open the first of nine self-service units Nov. 1, in Appleton, Wis., in an initial program costing \$5-million.

## New Haven RR bailed out again as Massachusetts forgives taxes

Once again the New Haven RR has been pulled back from the brink of financial calamity. The Massachusetts legislature passed a bill to forgive \$1.2-million of the road's state taxes annually for three years. The measure is similar to those already passed by New York, Connecticut, and Rhode Island, the other states served by the hard-pressed road. Total relief will amount to \$6.2-million annually.

Also this week the Interstate Commerce Commission agreed to guarantee an additional \$1.5-million loan to tide the New Haven over until tax benefits can be felt. This raises to \$23.2-million the total amount the road has borrowed since March, 1959, under the ICC loan guarantee program.

## Supreme Court to review order against food broker who cut his fee

The U. S. Supreme Court has agreed to take a second look at a Federal Trade Commission complaint against a food broker who agreed to reduce his fee in return for a lower price.

Last year, the court held that Henry Broch & Co. violated the Robinson-Patman Act in reducing its brokerage fee to 3% from 5% as part of a price reduction of 5¢ a gal. on apple concentrate being sold to J.M. Smucker Co. by Canada Foods, Ltd. FTC then ordered Broch to halt all such practices. Broch claimed this order was too broad, and a U.S. Court of Appeals agreed. This is the decision that the Supreme Court will review.

In another action, the court refused to intervene in a

decision by the Vermont State Supreme Court that it was unconstitutional for a school district to make tuition payments for children in Catholic parochial schools. This ruling holds only in Vermont, and doesn't clear up similar controversies in other states.

In a third decision, the Supreme Court held that embezzled money is taxable under the 1939 and 1954 internal revenue codes. This reverses a 1946 decision. However, because of the earlier ruling, the court held that a former union official who had embezzled union funds could not be prosecuted for income tax evasion.

## Textile industry asks OCDM to rule imports are a national peril

Nine U.S. textile associations have asked the Office of Civil & Defense Mobilization to rule that textile imports are endangering national security. Under the Reciprocal Trade Agreements Act, the President has broad powers to act against imports once OCDM has made such a finding.

The plea came close on the heels of Pres. Kennedy's order of an eight-point program to aid domestic textile manufacturers—and his pointed reference to the possibilities of the OCDM procedure. But no action by OCDM is expected until the State Dept. has had time to work on the President's other suggestion that it seek voluntary international controls over the flow of textiles.

## Westinghouse guards its virtue

Westinghouse Electric Corp. has appointed a blue-ribbon outside "board of advice" to help make sure that its executives don't again run afoul of the antitrust laws, Pres. Mark W. Cresap, Jr., told the Senate Antitrust and Monopoly Subcommittee this week. The group includes Dean Erwin N. Griswold of the Harvard Law School, Prof. Saul Chesterfield Oppenheim of the Michigan Law School, Dean Eugene V. Rostow of the Yale Law School, and Dr. A. D. H. Kaplan of the Brookings Institution.

## Business briefs

For the first time in 167 years, Philadelphians and Pittsburghers will soon be able to buy a drink on Sunday—but only in hotels. This small chink in Pennsylvania's massive blue laws was voted by the two cities this week, under a local option law passed a year ago.

Airlines flying cargo across the Atlantic finally agreed on reduced rates this week after nine months of trying (BW—Apr.1'61,p24). The key feature of the new tariffs, scheduled to go into effect Sept. 1 if the various governments ratify them, is a series of "weight breaks" whereby prices per pound are lowered as over-all volume increases. The maximum reduction between New York and London, for example, will be as much as 65%.

# Washington outlook BW

May 20, 1961

## **New Frontier pauses for fresh start**

Significant changes of tone and method are occurring in the way Pres. Kennedy confronts his problems.

The glamor, the excitement, the high hopes of the take-over period are gone. The pace is slower.

Swift and easy solutions to the country's problems are no longer expected.

Some of the key decisions and attitudes of the weeks immediately after the inauguration are being revised as Kennedy and his top aides adjust to the long pull.

## **Kennedy delays major message**

For weeks Kennedy has been pondering a new State of the Union message, either written or delivered personally to Congress, to bring these changes into focus.

At midweek, such a message seems near at hand though the final decision has not been made.

Why the hesitation on Kennedy's part? It's a matter of timing.

First the message was held up for a look at the economy in late April. Then the Cuban fiasco forced a period of reassessment. Now it looks as though Kennedy wants to make a report to the country before starting on his European trip.

## **Old promises, new methods**

For background, recall the major issues of last year's Presidential campaign as seen by Kennedy.

He made two major promises: to reduce unemployment, and to advance U.S. prestige as leader of the Free World.

Unemployment is down some from where it was at inauguration time. But, at 6.8% of the labor force, it is still far above the Kennedy goal of 4%.

U.S. prestige abroad has suffered two hard knocks under Kennedy—in Cuba and now in Laos. Others are coming, as Kennedy frequently warns.

The changes in thinking are directed to these problems. New ways are being sought to make good on the commitments of the campaign.

The target is to have solid achievements on both counts, if possible, before the Congressional election next year.

## **Khrushchev is target of new toughness**

The biggest change is toward Khrushchev.

Early hopes that Khrushchev could be induced to lessen cold war tensions are on the wane. A new toughness colors policy decisions in many areas.

The first Kennedy military budget is being revised upward, with more for local war strength.

Spending for space is being sharply increased. There's open talk that we are racing the Soviets for the moon, where the original policy was to play down any idea of direct competition.

Kennedy is going in for personal diplomacy. He used to criticize Eisenhower for this. Now he has a busy travel schedule himself, sends Vice-Pres. Lyndon B. Johnson to Southeast Asia, and keeps Secy. of State Dean Rusk shuttling between Washington and foreign capitals.

Events abroad have gone against Kennedy; his judgment has been faulty, and his luck bad.

This is the area of greatest gap between the promises of the campaign and the performance of the New Frontier.

# Washington outlook Continued

## At home, the breaks go to Kennedy

At home, events are running in Kennedy's favor so far.

**Kennedy gambled on a short recession—and won.**

The Administration hasn't decided yet just how to read the recovery signs.

The Council of Economic Advisers talks about a quite moderate expansion this year, with a big remaining backlog of structural unemployment.

Treasury Secy. Douglas Dillon this week held out hope for a more rapid climb. If Dillon turns out to be the better prophet—and there are signs he may be right—then hard-core unemployment could be melting at a satisfactory pace by mid-1962, well ahead of the elections.

With unemployment declining, Dillon would be better able to advance the case for lower personal income tax rates as the key to sustained and rapid economic growth.

## If JFK backs a tax cut...

A shuffle of long-held political positions will follow if tax rate reduction becomes New Frontier doctrine.

For a generation, Democrats have tended to be spenders, not tax cutters. Kennedy himself has leaned that way.

There have been three tax cuts since World War II, and each time the party in power lost the next Congressional election.

Most political professionals decided that spending—the new highway, the dam, the post office building—has more appeal to voters.

**Democrats will find it hard to change.**

## McNamara: How thick the hide?

Defense Secy. Robert C. McNamara is feeling the full heat that goes with public office—the first of Kennedy's Cabinet officers to do so.

McNamara has made the tough decisions, such as cutting back the atomic bomber and the B-70 project. He has installed a new budgeting process (BW—May 7'61, p48) that—if it sticks—will upset tradition.

All this arouses opposition.

The entrenched defense establishment—it includes the military brass, influential members of Congress, backers of particular weapons and projects—is fighting back.

Predictions are heard that McNamara will be the first Kennedy appointee to quit.

**Kennedy still backs McNamara.**

The question is whether McNamara has the tough hide that—next to a sympathetic President—is the bureaucrat's best friend.

## Dillon's hand

Secy. Dillon, rapidly on the rise as a power in the Administration, has asked 30 leading economists to a two-day conference in the Treasury Dept. next week. Seymour Harris, Harvard economist, is in charge. It's a move that could strengthen Dillon's already powerful hand in shaping economic policy.

## Looming surplus

The possibility of a \$10-billion surplus in the federal budget for the fiscal year beginning July 1, 1962, is being discussed by Administration economists.

Members of the Council of Economic Advisers say if any such surplus develops it should be used three ways—partly for debt reduction, partly for more spending, and partly for tax reduction.

Contents copyrighted under the general copyright on the May 20, 1961, issue—Business Week, 330 W. 42nd St., New York, N. Y.

# A new pattern for selling steel

To stop inroads by other materials in its markets, the industry is adopting more aggressive promotion tactics.

U. S. Steel's broad program stresses 'selling in depth'

For 11 years, steel production has averaged 100-million tons a year—and that figure won't change by one percentage point this year or next. That's why you now find steel being merchandised as intensively as toothpaste, cigarettes, or household detergents.

Since 1949, steel has raised its capacity well more than one-half. It has doubled its assets, tripled its debt, doubled the cost of an hour's work—and each of these trends continues today.

**Ferocious competition.** Yet never has steel had to compete so hard against other materials producers—and also foreign steelmakers (page 157). This is particularly true in markets that, before the Korean War, steel practically owned. Three of them—cars, containers, and construction, which jointly account for about 50% of all steel use—are targets of ferocious competitive attack. Of necessity, they now are the focus of steel's calculated cultivation.

Study steel's last 11 years and assess its present competitive position. If you do, you'll be a little startled that the industry wound up as well off as it is in today's competitive jungle.

## I. Catching up

During the 1950s, steel's principal competitors—concrete, plastics, and aluminum, and particularly the latter two—came fully of age. This was because the structural material market underwent an unparalleled technological upgrading that demanded different and better physical properties. And the makers of materials that compete with steel can take part of the credit for this development themselves.

But, during most of this period, steel's principal concern was to raise supply to demand. Thus, when the

market emphasized progress, steel was concentrating on volume.

**New attitude.** Even so, steel's a tougher competitor, today, than ever. It's marketing new products—most at prices or costs equal to or below those they replace. It's selling improved properties. It's opening new applications, promoting its customers' products even in consumer markets.

It's involved, on the one hand, in long-term, supplier-image-building campaigns and, on the other, in spot promotions as topical as a department store sale. It's doing marketing spadework as tedious as rewriting municipal building codes. And yet it recently proved nimble enough to snatch a new market, dependent on light weight, away from a competitor that had a lighter material and a head start.

Steel marketing today, in short, fits the 75-year-old pattern of steel selling that prevailed in 1950 about the way a saddle fits a cow.

## II. Dollars, not tons

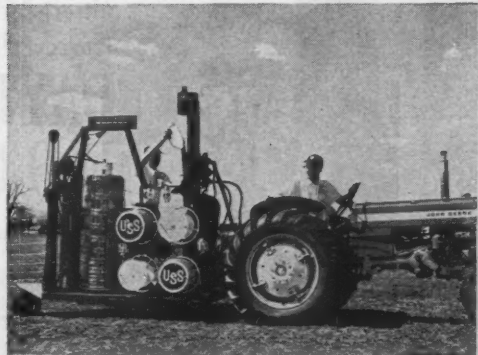
About the time steel production confirmed its breakout from the money-losing levels of November through February, U. S. Steel Corp. launched a marketing series—still not complete—it couldn't possibly have staged three years ago. Thus far, the program has included these gambits:

- A stainless-and-alloy-steel-covered railroad hopper car lighter than conventional cars. It was designed to end the cleanliness problems that raise costs with conventional steel-covered hoppers.

- A technical seminar for 600 designers calculated to show them the most extensive plate heat-treating equipment in the world and acquaint them with the availability and usefulness of a broad line of new,



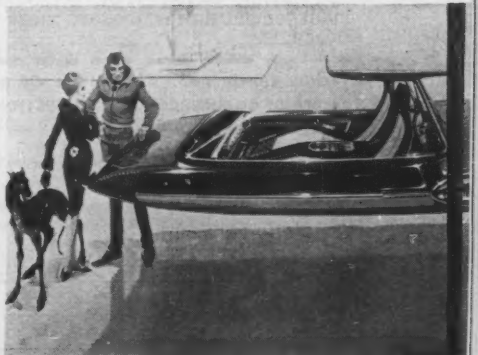
For industry, U. S. Steel introduced a lighter tinplate to boost its sales.



For agriculture, it developed a machine for building wire fences.



For builders, U. S. Steel offers a stainless steel threshold that is durable.



For new products, such as this ducted air car, USS has a tough, light steel.

# HOW TO OUTBID YOUR COMPETITION FOR SCARCE, HIGHLY SKILLED PEOPLE

Bid Geographically, Not Economically!  
Attract Personnel With the  
Proved Pulling Power of a Job in ...

## DAYTONA BEACH, FLORIDA



If you hire highly skilled, hard-to-hold people, and if you're reaching the point where luring them with added economic incentive is no longer practical, consider the advantages of a geographic bid for their services.

Daytona Beach, Florida, has repeatedly demonstrated its uncanny magnetism for highly skilled people. Daytona's status as one of the world's leading resort areas gives it a marked advantage over other communities seeking industrial growth. Daytona's advantage is a simple one — **PEOPLE WANT TO LIVE THERE!** This means that workers place a higher value on and take more interest in their jobs.

Let us tell you the complete story of Daytona's desirability. We'll be happy to document our claim of demonstrated success and discuss the specialized personnel needs of your business.

**IF YOU'RE SERIOUS ABOUT RELOCATING OR EXPANDING IN THE DAYTONA BEACH AREA, FILL US IN ON YOUR PERSONNEL NEEDS. WE'LL DEMONSTRATE, AT OUR EXPENSE, THE TREMENDOUS PULLING POWER OF THE DAYTONA AREA FOR ANY SPECIALIZED SKILL YOU REQUIRE.**

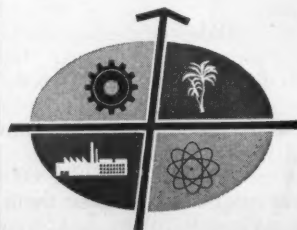
Having solved your personnel problems, you may find that management duties, too, are more pleasant when you live at Daytona Beach.

DAYTONA BEACH AREA COMMITTEE OF 100  
CHAMBER OF COMMERCE BUILDING, SECTION 503  
DAYTONA BEACH, FLORIDA

\_\_\_\_ Please send me your economic survey of  
the Daytona Beach Area.  
\_\_\_\_ Please contact me for a confidential  
discussion of specialized personnel needs  
in my business.

NAME \_\_\_\_\_  
TITLE \_\_\_\_\_  
COMPANY \_\_\_\_\_  
CITY \_\_\_\_\_ ZONE \_\_\_\_\_ STATE \_\_\_\_\_

### DAYTONA BEACH AREA



COMMITTEE OF 100

In the 1950s, somebody realized that steel consumption was on a plateau ...

Story on page 47

higher-strength constructional steels.

■ A highway hardware exhibit drawing on 10 U.S. Steel divisions for products ranging from concrete aggregate and cement to high-strength steel bolts by way of drainage systems, signs, fencing, guard rails and ropes, reinforcing material, and improved construction equipment.

There have been others and there are more to come. All of them are only the current promotions of a company that has become as aggressive—other than in pricing—as its aluminum competitors have been in promotional selling for some years.

**Sales concept.** These flashy new product promotions, though, are just the visible part of U.S. Steel's total marketing program. Broadly, that effort is called "selling in depth," and it's described thus by USS Sales Vice-Pres. Howard J. Mullin:

"In this approach, we commit our entire management to following every avenue we properly can to everyone having influence in the selection of the material for any purpose where steel may serve. If we can create a preference for steel, we follow those same avenues in an effort to create a preference for steel produced by U.S. Steel."

**Order analysis.** Basic to all this is a program of "order analysis"—the seller's equivalent of purchasing's "value analysis." One recent example found USS suggesting to an automotive buyer a higher-strength steel that saved the customer \$13 per ton. Another example: Better gear steels saved another automotive customer \$28 per ton in extra charges. In still another automotive case, a salesman suggested an alternate steel, at a \$3-a-ton saving, without leaving the purchasing director's office. When it was applied, it yielded further manufacturing savings.

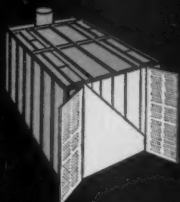
U.S. Steel, in short, is working dead seriously at selling its customers the means to manufacture a better product at a lower cost. Steel's old tonnage concept of selling is dead.

### III. A different industry

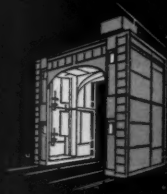
Sophisticated marketing, as opposed to dividing up tonnage, isn't peculiar to U.S. Steel even though relatively few producers have car-



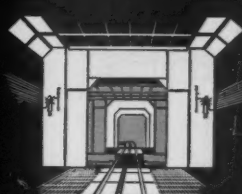
LEG-TYPE BOOTH



ENCLOSED BOOTH  
WITH DUST FILTERS



TRAVELING BOOTH



CONVEYORIZED  
TUNNEL-TYPE BOOTH

**spray booths** from DeVilbiss have high paint-trapping efficiency . . . easy to install, operate, clean. They're part of DeVilbiss' complete line of matched equipment for coating and finishing that includes: airless, conventional, hot-spray outfits; automatic spray, dip and flow coaters; air compressors, air and fluid hose, ovens, spray washers, air-replacement units, complete "turn-key" finishing systems.

**Talk to DeVilbiss about all your  
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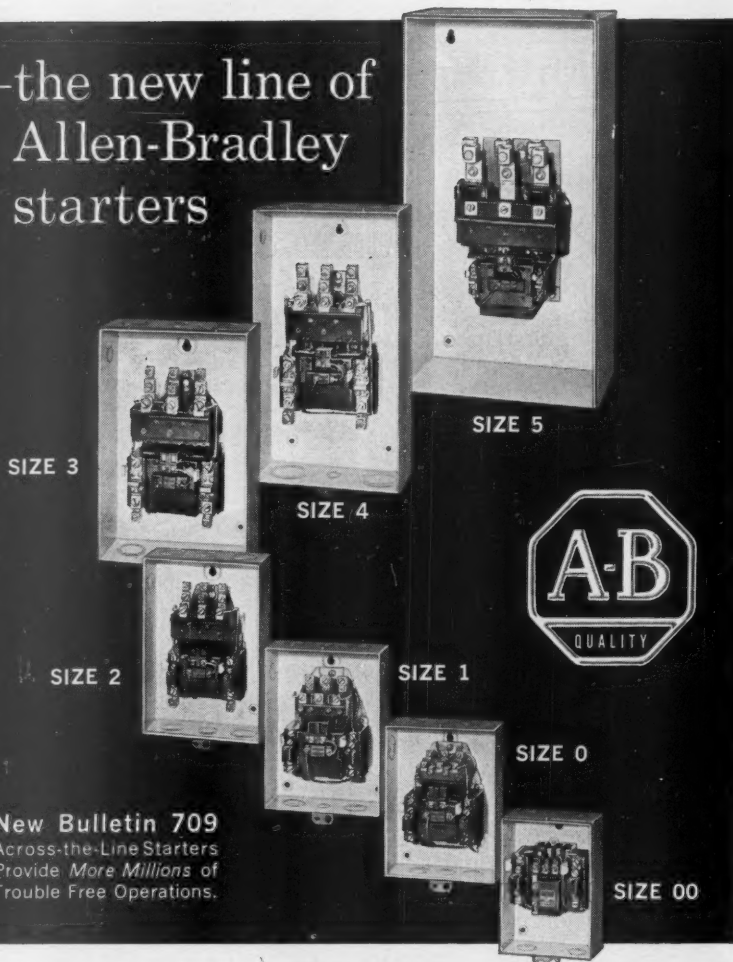
**DEVILBISS**



THE DEVILBISS COMPANY, Toledo 1, Ohio. Also Barrie, Ontario; London, England; São Paulo, Brazil. Branch offices in principal cities.

*Good looking...  
simple...efficient*

—the new line of  
Allen-Bradley  
starters



*The greatest advance in motor control in 30 years!*

Everything about these Bulletin 709 motor starters is *new*. They're small—yet they will outlast any starter now in the market—many times. The *new*, patented, high efficiency magnet is cushioned to reduce shock and wear. The *new* coil is encapsulated for protection against mechanical damage and corrosive atmospheres. The *new* hot molded arc hood confines the arc and increases interrupting capacity. *New* weld-resistant, cadmium oxide silver contacts close and seat firmly—the sliding motion that causes wear has been eliminated. The *new* overload relays are both trip-free and tamperproof—but use the *old* Bulletin 709 heater elements you have in stock. The smart *new* enclosures—designed by Brooks Stevens—are a distinct sales asset on any machine or in any installation. Why not write for more information today to Allen-Bradley Co., 1202 S. Third Street, Milwaukee 4, Wisconsin.

**ALLEN-BRADLEY**  
Member of NEMA  
*Quality Motor Control*

ried it so far. That it exists at all is proof that fairly early in the '50s, somebody realized that steel consumption was on a plateau and that when the capacity shortages finally were mastered, steel would be competing in a vastly different market. For example:

- Eleven years ago, research among carbon steelmakers was quite limited, often perfunctory. Since the mid-50s, though, steel has embraced research with a passion. Already, it has generated products its competition will be hard put to beat and cost savings that have helped steel stop narrowing the price margin between steel and its competition.

- While they caught up with demand, steelmen also had the good sense to spend heavily on new and advanced finishing equipment without which they'd be vulnerable today. Continuous annealing for electrolytic tinplate is a major example. Continuous galvanizing and aluminizing lines and other methods of coating or decorating light, flat-rolled product, quench and temper facilities for both pipe and plate, vacuum melting and degassing, and continuous bright annealing are others. It's a long, highly competitive list.

- At least as significant as the investment in research and improved products was the investment in modern marketing. Widely, steel is thought to have copied aluminum on this score during the late '50s. The fact is that U. S. Steel organized its market development group in 1938 and, when it then adopted a product label, was the second in steel to do so, following Armco Steel Corp. Early in the '50s, it organized Operation Snowflake, a retail promotion of major appliances. Out of that evolved U.S. Steel's Steelmark, an industry product label now, and the broad marketing program that the corporation had ready when steel had to be sold (BW—Mar.29 '58,p88).

#### IV. The big aluminum push

To anyone who follows either industry even superficially, aluminum seems far to have outdistanced steel in promotional marketing since, say, 1956. And indeed, in publicizing its program, aluminum certainly has. Even U.S. Steel marketers concede they didn't tell enough people enough about their efforts. By 1958, aluminum already was deep into aggressive publicizing of its intensive promotional marketing campaign.

But, particularly at U. S. Steel, you can get quite an argument as to whether aluminum has gone farther

# WHICH VP HAS THE IC?



IT'S EASY TO SEE  
HE HAS THE IC

... because new **IC INSTANT COPY PAPER** makes easy-to-read copies on Thermo-fax machines. Now you can have clear, clean copies that are fade-resistant... don't get brittle... wax-free, too. In just seconds your own test will prove IC best! Available through quality office supply dealers in white and colors, or write us for more information and a demonstration.

Attach this coupon to your Company letterhead and send to:

Dept. B, **INTERCHEMICAL Corporation**,  
Copying Products Division, 417 East 7th St.  
Cincinnati 1, Ohio

NAME \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

☐ We would like a demonstration.

☐ Please send further information.

**THE AMERICAN APPRAISAL COMPANY**  
525 East Michigan Street, Milwaukee 1, Wisconsin

Dear Sirs: Please send me a copy of your current brochure, "The Mark of Experience and Judgment in Interpreting Value." Also add our name to your list for regular receipt of your Clients' Service Bulletins.

Name.....Title.....

Company.....

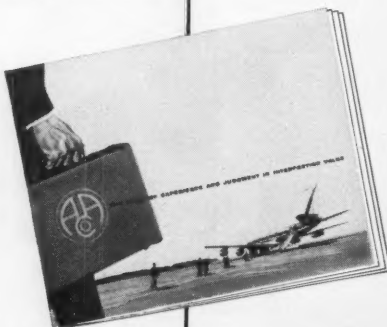
Address.....

City.....Zone...State.....

**"IF YOU ARE PLANNING TO:**

- **BUY**
- **SELL**
- **MERGE**
- **FINANCE**
- **INSURE PROPERTY**
- **CLAIM A FIRE LOSS**
- **PAY TAXES**
- **SET UP PROPERTY RECORDS**

...in short, if you are a decision-maker, you should have this brochure.



It will show how you can benefit from the experience, judgment, reputation, and worldwide acceptance of AMERICAN APPRAISAL's unique valuation processes."

The coupon above, or a brief note to our Home Office, or one of our 18 District Offices, will bring your copy by return mail. There is, of course, no obligation whatever.



**THE AMERICAN APPRAISAL COMPANY**

Home Office: 525 E. Michigan St., Milwaukee 1, Wisconsin  
Established 1896—World's Largest Appraisal Authority

Atlanta	Jacksonville
Baltimore	Kansas City
Boston	Los Angeles
Buffalo	New Orleans
Chicago	New York
Cincinnati	Philadelphia
Cleveland	Pittsburgh
Dallas	St. Louis
Detroit	San Francisco

also:  
Canadian Appraisal Company, Ltd.  
Montreal and Toronto, Canada.

—or as fast—in customer and consumer-oriented marketing of raw materials.

"Before the war," says USS market development director Robert C. Myers, "steel grain bins were unheard of. Shortly after the war, U. S. Steel designed one, got Agriculture Dept. design approval, lined up manufacturers. Since then, this company alone has sold more than 2-million of an industry total of 5-million tons of product in that market—practically one grade, one size, one finish—and we didn't compete with our customers or cut our prices in doing it."

**Pricing policy.** This marks a major difference between steel and aluminum and their promotional marketing drives. Quite widely, aluminum has resorted to "commodity pricing," with very low rates set for specific products aimed at specific applications. Widespread and growing at a time when aluminum supply far outstripped demand anyway, this practice has contributed to the price demoralization that has hit aluminum earnings hard in the last two years. Steel, and most resolutely U. S. Steel, has spurned promotional pricing.

## V. New products

Meanwhile, all steel producers continue bringing out new products that fill in gaps in their lines, upgrade performance, cut costs. Some of the more important are these:

- Double-reduced tinplate, half as heavy as conventional tinplate, that competes directly with aluminum. It was introduced by U. S. Steel, with most tinplate makers quickly following suit.

- Automotive package, introduced by Allegheny Ludlum, consisting of bright annealed stainless strip, a stainless designed especially for auto mufflers, and a copper-molybdenum-chrome stainless designed to withstand de-icing compounds.

- One-coat enameling steels, pioneered almost in parallel by Inland, Armco, and Bethlehem, that eliminate the ground coat of enamel, making the product less expensive, much more competitive.

- High-strength constructional steels.

- Columbium-treated steels, which were brought out by National Steel.

- Dual Weight drill pipe, a Pittsburgh Steel development, that reduces the weight of a rotary drill string while retaining the strength of conventional drill pipe.

- New auto bumper steel, developed by Jones & Laughlin, that cuts manufacturing costs, provides a better bumper. **End**

## WHAT RETURN ON INVESTMENT CAN YOU EXPECT FROM FACTORY AIR CONDITIONING?

A prominent electronics firm reports  
an annual return of 30%.

A large machine tool company — 26%.

A famous women's blouse maker — 33%.

A well-known leather goods producer — 37%.

A leading watch manufacturer — 68%.

### IN ALL OF THESE CASES...

- ... worker morale was boosted
- ... productivity went up
- ... absenteeism went down
- ... labor turnover was reduced
- ... product quality improved.

Will air conditioning do the same for you?

The "Carrier Investment Analysis"  
will enable your engineer or consultant  
to provide the answer in a matter of hours.

Write for this engineering guide to  
Carrier Air Conditioning Company,  
Syracuse 1, New York.

In Canada:  
Carrier Air Conditioning Ltd., Toronto 14.



***Carrier***  
***Air Conditioning Company***



New promotion twist

# Ad gets seven hooks

Regional bait for national ad spells success for Gibson Refrigerator push

"We call it merchandising, not advertising."

That's the way William C. Conley, president of Gibson Refrigerator Sales Corp., describes his company's first venture into national consumer media (picture, left).

Though no novice at razzle-dazzle promotion, Gibson, a subsidiary of Hupp Corp., has depended up to now on dealer-distributor flings, such as its \$1-million contest trips to Puerto Rico or Hawaii (BW—Sep. 26/59,p109). Conley decided to take the consumer plunge when he discovered a way to use national advertising to meet his basic rule as a merchandiser: There has to be something in it for everybody.

In this case, consumers had a chance at prizes; dealers got added sales in a dull period, plus traffic they would never have attained; and distributors and their salesmen earned extra incentives and sales. The factory scheduled record production, added 500 retail accounts, and wound up with a promotion that paid off in dollars and cents, and an image in the marketplace of an aggressive, imaginative company.

**Key.** Conley ran across the idea last Christmas when he noted a similar campaign in Life magazine promoting Royal typewriters. The key to the whole merchandising stunt is dealer listings.

For consumers, the rules are simple. Each subscriber to Life's Apr. 21 issue received (as an insert be-

**Dealer listings,** in seven separate lists in Life's seven regional editions, are key to successful pull of card inserts in magazine ad offering consumer prizes.

tween the pages) a card with an unduplicated number—over 6-million numbers in all. Alongside a four-color page ad for Gibson's top-of-the-line Market Master refrigerator was a state-by-state, city-by-city list of dealers—a separate list for each of Life's seven regional editions.

Dealers posted a master list of 500 winning numbers inside the floor-model refrigerator's door. All a subscriber had to do was pick a store from the regional list, present his coupon to see if his number matched a winner. If so, a Market Master (worth about \$400) was his, or any other Gibson appliance.

In case he didn't win, the coupon card provided space for name and address (plus some market information for the dealer's use). This then became a chance to win one of 100 free trips for two to Panama.

**New approach.** Both Gibson and Life believe this has been one of the biggest, certainly one of the most successful, contests of its kind, with some 3,200 separate dealer listings. Conley thinks it opens up a whole new approach to the problem of making national advertising work, not only for the manufacturer but for distributors and dealers.

Life itself already has other ad-

vertisers lined up for similar promotions. Reader's Digest is using the method with Longines watches. There is no reason why other national magazines can't follow suit, now that almost all of them have adopted publication of regional editions to match the marketing plans of their advertisers (BW—Jun. 6 '59, p126).

**Buildup.** Soon after he saw the Royal typewriter scheme, Conley had Gibson's program under way. He deliberately picked an off season in appliance promotions (in the Life issue Gibson's was the only appliance advertising) to make sure that any increased traffic at the showroom level would be unmistakably credited to Gibson's promotion.)

By the end of February, Gibson had signed up all 80 of its distributors. Each made firm cash commitments of \$20 per dealer listing, with the added stipulation that a dealer buy two Market Master refrigerators in order to participate.

By the time the national ad hit the mails, Gibson had signed up 3,158 individual dealers for inclusion in the list. That means the company got some \$63,000 to pay for the seven separate dealer listings in the Life ad and a \$7.50 display kit, or about

half the total of \$125,000 that Gibson spent for the promotion.

**Pulling them in.** As for results in the marketplace, the promotion was still drawing customers into stores two and three weeks after the national ad appeared (cutoff date was set as May 31). But up to this week, as Gibson figures it, the average number of customers who walked into dealer showrooms as a direct result of the promotion was 100. That multiplies out to over 300,000 prospects. "It will hit 500,000," says Conley, "before the contest ends."

That accomplishes one of the first aims of the promotion—to pull traffic into stores.

**Gibson's gains.** But it was hardly an altruistic promotion. As Conley puts it, one aim was to "accomplish moderate dealer loading."

March production records that carried over into April, just to meet dealer orders, are a measure of achievement of that goal. With two Market Masters per dealer as a minimum order, Gibson's factory sales were at least 6,316 for the top-of-the-line product, with a retail value of about \$2.5-million. So Gibson had practically a self-liquidating promotion, once it was clear dealers would go along with the idea.

## Sears tries the travel business

**Its all-purpose subsidiary will also run a motor club through Allstate Insurance's outlets**

**Sears, Roebuck & Co.**, the nation's second largest retailer (BW—May 6 '61, p64), this week entered the motor club and travel service fields in a major step to capture the increasing number of dollars that consumers spend on services.

The company's expansion within the service industries comes through Allstate Enterprises, Inc., a subsidiary formed last July to handle new Sears ventures outside retailing.

Its maiden effort is the Allstate Motor Club, approved to start operation immediately in 40 states. A travel service to become effective later this year also was announced. Tours within the U.S. including Hawaii, and to areas such as Europe, the Caribbean, Mexico, and Canada will be handled in conjunction with American Express Co.

The Motor Club operation will be offered through Allstate Insurance Co.'s 1,400 sales and service loca-

tions, of which more than 1,000 are in Sears 1,600 retail and catalogue stores. The travel service will be sold initially to motor club members and eventually through Sears' full array of marketing channels, including mail order catalogues, catalogue stores, and telephone centers.

**New areas.** Chmn. Charles H. Kellstadt indicated the company's thinking last October when he revealed that Allstate Enterprises was being organized to oversee expansion into new service areas. He excluded only the professions, law and medicine, from activities Sears may consider in pursuit of consumers' "discretionary income"—purchasing power used to satisfy needs and desires beyond the necessities of life.

Organization of the Motor Club follows a year's market research headed by Stephen Gilman, formerly with the American Automobile Assn. in New York.

The company admits it is studying "many other projects" but won't confirm which direction it may move next.

Judson B. Branch, president of both Allstate Enterprises and Allstate Insurance, says the Motor Club offers the first "truly national" service of its kind in the U.S.

**Family fee.** Membership fee for a husband and wife residing in the same household totals \$12.50 per year. Other membership features include:

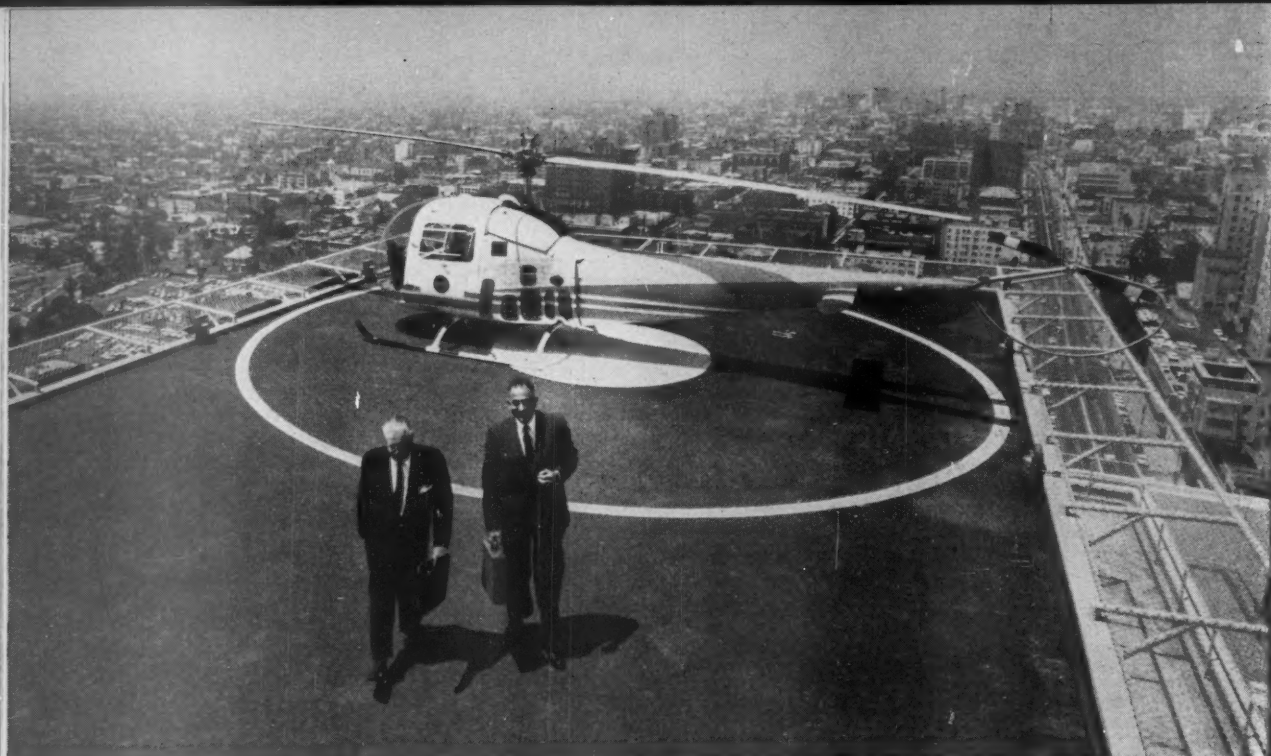
- Towing and emergency road service at any garage of the member's choice with reimbursement up to \$25 for towing or labor charge required to get the car rolling.

- A trip and vacation planning and routing service that includes a 194-page vacation guide.

- A \$200 arrest bond certificate that may be deposited in most cities in lieu of cash bail in ordinary traffic violations.

- Worldwide accident insurance for death or loss of sight or limb due to auto accidents, even if the member is a pedestrian.

- Payment for legal defense against ordinary traffic violations including reimbursement up to \$475, depending on the violation. **End**



Signal Oil's Chmn. Samuel Mosher (left) and Pres. Russell Green are seeking more crude and natural gas reserves

## COMPANIES

# Oil-logged company rescues itself

**Signal Oil & Gas Co., which only two years ago was drowning in crude, is working out of its morass by adding refining capacity and retail outlets**

**This month**, Signal Oil & Gas Co. of Los Angeles is preparing to build a \$2-million platform about two miles out in the ocean, offshore from Huntington Beach, Calif. From the platform, Signal will tap oil pools that are not reached by direct drilling or whip-stocking—slant drilling—from Signal's 835-acre lease onshore, where there are now 706 producing wells.

At the same time, Samuel B. Mosher, chairman and chief executive officer, and Russell H. Green, president, (picture) are telling security analysts and anybody interested that the main objective of Signal in 1961 is to acquire additional crude and natural gas reserves.

**In a bind.** In an industry that is still hard at work digesting an oversupply of crude oil, Signal's objective might seem somewhat rash. Only two years ago, the company was literally drowning in crude.

Standard Oil Co. of California had just ended a "dream" contract with Signal, signed in 1932, that called for Standard to take all of Signal's production of crude oil and natural gasoline.

Signal in turn bought refined products from Standard for its then small but lively marketing organization. Combined with the worldwide crude oil glut, the ending of the contract put Signal in a bind.

**Alternatives.** So why is Signal looking for more crude? The answer lies in what Signal has accomplished since late 1958.

When the Standard contract was ended, Signal was primarily a crude producer and a manufacturer of natural gasoline—the highly volatile ingredient that is taken from "wet" natural gas straight from the well. It is combined with other hydrocarbons to make motor fuel.

The easiest course for Signal in

1958 would have been to sell out. That's what other companies in a similar position were doing. Monterey Oil Co. sold most of its assets and properties to Humble Oil & Refining Co. and dissolved as a corporation. Superior Oil Co. tried to merge with Texaco, Inc., but was blocked by the antitrusters. A number of small and medium-sized companies sold out.

**Signal's decision.** Mosher decided not to give up. The alternative was to become a fully integrated company as soon as possible. That meant he had to add refining capacity and marketing outlets, both of them expensive items.

It also meant that Signal had to expand its marketing territory as well. The reason: The West Coast pattern of gasoline distribution was being upset by the entrance of more major oil companies into the lucrative fast-growing market. For years,



**This is the world's most powerful computing system. It does 2,300 man-hours of work in one second. Adds 15 million numbers in one minute. Operates at speeds so fantastic they're rated in nanoseconds—billionths of a second! The system: Univac® Larc. The place: the new Univac Larc II installation, dedicated this week at the U. S. Navy's David Taylor Model Basin, Washington, D. C. Only one other computer now operating in the free world can equal Larc II in size, speed, and power. This computer: Univac Larc I... on round-the-clock duty at the Atomic Energy Commission's Lawrence Radiation Laboratory, Livermore, California. Larc I and II rank in importance with the invention of the first electronic computer... all three, achievements of**

**UNIVAC**  
DIVISION OF SPERRY RAND CORPORATION

the West Coast had been accustomed to seven majors—California Standard, Shell, Richfield, Union, Mobil, Texaco, and Tidewater. They had 80% of the gasoline market, and as a result, every other company was an "independent," because the majors were so far ahead.

The advantage of being an independent meant that an independent could price its gasoline at 2¢ a gal. under the major price, and, except in times of price wars, the custom was observed. Now with more majors moving into the West Coast market, two things were likely to happen. First, the independents would find further competition for their 20% of the market. Second, a large independent like Signal might find it difficult to retain its independent status.

**Double or nothing.** It was an ideal time to go for broke, and that's what Mosher did. In 18 months, he turned Signal into an integrated company—adding new refineries, petrochemical sales, and more than 1,000 outlets. In the process, Signal grew from sales of \$90-million to more than \$305-million. Net profits for 1960 were \$16.3 million, and for the first quarter of 1961 were 21% over year-ago. It is now moot whether Signal is the West's largest independent or a small major.

First of all, Mosher approached Hancock Oil Co., about two-thirds the size of Signal, with sales of \$60-million. Hancock had both refining capacity and more than 400 retail service station outlets. All the major oil companies were after Hancock, not only for its marketing outlets, but for the extraordinary liquidity of the company—Hancock had \$20-million in cash to support sales of \$60-million.

Mosher had the inside track all the time. Signal and Hancock had been partners in countless oil "plays" in the U.S. and abroad. Mosher moved quickly and the deal was completed in a matter of hours. The merger took effect Dec. 31, 1958.

In quick succession, Signal merged two other companies, Bankline Oil Co. of Bakersfield, Calif., on July 10, 1959, and Eastern States Petroleum & Chemical Corp. of Houston, on Sept. 23, 1959.

Bankline had a small refinery and a string of 400 retail gasoline stations in California, and sales of \$15-million. It was available because it had low profits and no money to expand its refinery.

Eastern States was the real coup, and as one Signal officer says, "will be the making of Signal." Eastern States sales were \$100-million, including \$20-million in chemicals.

It had a large refinery, with a 60,000-bbl.-a-day capacity. But it had little crude and hardly any retail outlets. It was in trouble because gasoline prices had fallen and it was forced to dump its gasoline on the wholesale market.

Eastern States will help solve future marketing problems of Signal's crude oil production in Venezuela. It will also help solve future marketing problems with its Iranian and Kuwait production. Eastern States has 200 frontage acres on the Houston shipping canal, and a subsidiary has an interest in a pipeline from West Texas that supplies the refinery with 25,000 bbl. a day.

**Expansion.** Signal retail outlets have expanded from 46 to 1,200. The company owns 20% to 100% of each, and it markets in 15 states now, using the brand names of Hancock, Norwalk, and Regal.

The company has important oil concessions in Lake Maracaibo, Venezuela, is 30% owner of American Independent Oil Co., which operates in Kuwait, and 1% ownership in the Iranian Oil Consortium. It also is actively prospecting in Bolivia, Argentina, Guatemala, and the U.S.

Until the three mergers, Signal had added only \$100,000 in outside capital to the original stake of \$8,000 with which the company was started. Mosher and his family owned about 40% of all stock before the mergers and 75% of the Class B common, which has sole voting rights. After the mergers, the family still holds 60% of the Class B voting stock of the larger operation—net worth, \$200-million.

Two of the company's most important domestic operations are right in the heart of Los Angeles. Signal operates and has a 50% interest in the Rancho Park and Hillcrest Country Clubs, and Beverly Hills Community leases, and a 40% interest in the mid-Los Angeles Las Cienegas fields.

**How-to-do-it.** Signal had its beginnings in 1921 when Mosher—armed with his own \$4,000 and a partner's \$4,000 and a how-to-do-it pamphlet from the Bureau of Mines—jumped into the oil business at Long Beach's Signal Hill. He and a partner built an absorption plant to take natural gasoline out of the wet gas from all the oil wells springing up on Signal Hill.

Mosher struck a financial gusher in 1938 and 1939 by drilling in the Tidelands. Then he obtained two-thirds and Hancock Oil obtained one-third of Southwest Exploration Co., which had a lease on 835 acres to drill offshore wells from Huntington Beach. Mosher had good reason

for this move—one of his wells off Santa Barbara was so productive it pulled Signal through the early Depression years. Shortly after, Mosher got the right to drill on the Bolsa Chica Gun Club.

**Deal with Standard.** Signal built its first marketing outlet in 1930, and sold an option to Standard of California to buy 49% of it. Later, Standard acquired another 20%. By 1947, the Signal stations were selling 25% of Standard's retail products, and Standard decided it would be better to own them completely. It paid \$8-million in cash, paid the taxes on the transaction, and took over Signal stations that were selling 10-million gal. of gasoline.

Mosher figured that \$8-million after taxes was a good price, and also he felt that the stations were obsolete. They mostly were neighborhood types of stations with low sales volume. He immediately set out to build up a new marketing organization for Signal, which would have fewer but higher-volume outlets.

Mosher, now 68, graduated from the University of California with a bachelor's degree in agriculture. He failed to eke out a living on 17 acres of lemons and avocados, but he put Signal in the agriculture business.

The company owns a 500-acre grapefruit ranch near Indio, Calif., and the 4,500-acre Do Pueblos Ranch near Santa Barbara. Signal bought Do Pueblos to drill oil wells (40 wells have taken out 15-million bbl.). But Mosher has added 250 acres of lemons, 50 acres of avocados, 500 head of cattle, a game refuge, and a small zoo stocked with California wildlife. Mosher leases back 20 acres from the company and has 1-million orchid blooms.

Mosher has put Signal into some other interesting and profitable diversifications. One is a 48% ownership of American President Lines, Ltd., for which Signal paid \$11.7-million, and which delivered \$1-million in dividends to Signal last year. Another is 100% ownership of Scudder Food Products, Inc., which last year had sales of \$23-million. Signal got Scudder for 100,000 shares of Class A common (worth \$49 a share) and \$970,000 in cash. Signal also owns 15% of an electronics company, whose sales grew from zero in 1958 to \$1.8-million last year.

On his own, Mosher was one of the principal backers of the Flying Tiger Line, Inc., all-freight carrier, and he is board chairman. In its early years, Mosher commuted to Washington to help fight its battles, now contents himself with offering counsel. **End**

# Top pay resists slump

Despite last year's profit squeeze, raises were about as common as cuts

The 1960 recession was a mild one for most companies, and this fact was reflected in the pay of the men who run them; the profit squeeze didn't put much of a squeeze on their compensation.

Top executives of most major corporations took home just about the same pay last year as in 1959, proxy statements filed with the Securities & Exchange Commission show. Only a few of the companies whose executive compensation figures were tabulated by Business Week changed the amounts paid to their officers—up or down—by as much as 10% (right).

**Boosts and cuts.** Despite generally lower profits, raises were just about as common as cuts. Although top executive pay usually follows the profit trend—and it did last year in many cases—there are always exceptions.

A few companies—Cluett, Peabody & Co., Inc., and National Biscuit Co., for example—gave their brass hefty pay boosts. But for the executives who got raises, 3% to 7% was more typical.

Where pay reductions were made, they were often steeper than the raises. A number of companies, such as International Harvester Co. and General Mills Inc., handed out cuts ranging from 15% to 30%.

**Bonuses teeter.** Many of the more dramatic slashes were in profit-related bonuses. Studebaker-Packard Corp., whose bonuses were just about equal to base salary in 1959, earned a much lower net in 1960 and paid no bonuses at all.

Like profits, the bonuses didn't all move downward. Chrysler Corp., which broke into the black last year,

## Agricultural machinery

### Caterpillar Tractor Co.

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
L. B. Neumiller, chmn. ....	\$150,000	....	\$149,166	....
H. S. Eberhard, pres. ....	125,000	....	124,166	....
W. Blackie, exec. v.p. ....	85,000	....	84,166	....
C. A. Woodley, exec. v.p. ....	70,000	....	69,166	....

### Deere & Co.

William A. Hewitt, pres. ....	\$124,114	....	\$183,606	....
Ellwood F. Curtis, exec. v.p.* .....	101,392	....	114,366	....
C. R. Carlson, Jr., v.p. ....	91,418	....	108,177	....
George T. French, v.p. ....	89,290	....	108,177	....
L. A. Murphy, sr. v.p. ....	82,032	....	114,366	....

\*Elected October, 1959.

### International Harvester Co.

	(A)	(B)	(A)	
Frank W. Jenks, pres. ....	\$142,303	\$ 17,183	\$198,709	....
Harry O. Bercher, ex. v.p. ....	103,747	....	134,509	....
William C. Schumacher, ex. v.p. ....	87,724	....	112,424	....
Brooks McCormick, ex. v.p. ....	75,919	....	94,940	....

(A) Includes salary, fees and extra compensation.  
(B) Deferred extra compensation.

## Aircraft and missile manufacturing

### Boeing Airplane Co.

		(A)	(B)
William M. Allen, pres. ....	\$115,901*	....	\$124,519 \$ 18,955
Wellwood E. Beall, sr. v.p. ....	82,733	....	87,882
Edward C. Wells, v.p. ....	71,050	....	76,165

\*In March, 1960, award made to Allen under incentive compensation plan for year 1959 in amount of \$6,250. The amount of this award together with \$8,621 of Allen's salary for 1960 are not included. Pursuant to terms of employment agreement entered into with Allen on Sept. 1, 1960, which superseded a prior agreement dated Dec. 5, 1958, awards under incentive compensation plan are retained by company and will be paid over 5-year period following retirement. The employment agreement also provides that \$25,000 of Allen's annual basic salary is to be retained each year by company and paid to him over the same period of time.  
(A) Includes awards under incentive compensation plan paid in 1959.  
(B) Pursuant to terms of employment agreement entered into with Allen on Dec. 5, 1958, awards made to Allen are retained by the company and will be paid to him over 10-year period following retirement.

### Curtiss-Wright Corp.

	(A)	(B)	(C)	(D)
Roy T. Hurley, former chmn., pres.* ..	\$224,850	....	\$329,500	....
T. Roland Berner, chmn., pres. ....	60,683	....	....	....
George R. Hill, exec. v.p. ....	173,100	....	176,500	....
Joseph V. Miccio, v.p. & gen. mgr., Wright Aeronautical Div. ....	118,000	....	115,000	....
James G. Byron, exec. v.p. ....	95,300	....	94,500	....

\*Resigned May 25, 1960; \$42,666.67, comprising earned out incentive compensation for Hurley for prior years' awards accrued in 1960, will be paid in 1961.

(A) Aggregate remuneration during 1960, including installments of 1956, 1957, 1958, 1959 and 1960 incentive compensation awards paid in 1960.

(B) 1961 incentive compensation awards related to 1960 payable in five annual installments if earned out in accordance with incentive compensation plan: Miccio—\$30,000; Byron—\$27,000.

(C) Includes installments of 1955, 1956, 1957, 1958 and 1959 incentive compensation awards paid in 1959.

(D) 1960 incentive compensation awards related to 1959 payable in five annual installments if earned out in accordance with incentive compensation plan: Hurley—\$100,000; Hill—\$60,000; Miccio—\$45,000; Byron—\$36,000.

### Douglas Aircraft Co., Inc.

(Fiscal year Nov. 30)

	(A)	(A)
Donald W. Douglas, chmn. ....	\$127,362	\$151,000
Donald W. Douglas, Jr., pres. ....	87,675	100,800
Arthur E. Raymond, sr. v.p.* .....	35,689	76,705
John A. Dundas, exec. v.p. ....	56,675	55,166

\*Retired June 1, 1960.

(A) Includes contributions to pension plan.

### General Dynamics Corp.

	(A)	(B)
Frank Pace, Jr., chmn.* .....	\$152,000	\$152,500
Earl D. Johnson, pres. ....	137,000	132,250
C. Rhoades MacBride, exec. v.p. ....	91,875	....
W. P. Gullander, exec. v.p. ....	67,500	....
J. Geoffrey Notman, sr. v.p.** .....	93,250	108,000

\*Elected April 24, 1959.

\*\*All of Notman's remuneration paid by Canadair Ltd. in Canadian funds.

(A) Includes incentive compensation payments made in 1960 with respect to 1959 operations as follows: Johnson—\$15,000; MacBride—\$10,000; Notman—\$20,000.

(B) Includes incentive compensation made in 1959 with respect to 1958 as follows: Johnson—\$30,000; Notman—\$35,000.

### Lockheed Aircraft Corp.

	(A)	(B)
Robert E. Gross, chmn. ....	\$125,928	\$ 36,200 \$ 36,200
Courtlandt S. Gross, pres. ....	100,000	22,600 101,923 30,600
Daniel J. Haughton, exec. v.p. ....	85,000	18,333 86,635 23,858

(A) Payments under incentive plan for prior years. Includes payments made in 1960 under corporation's management incentive plan. Following amounts paid as consulting fees and/or director's fees: Robert Gross—\$700; Courtlandt Gross—\$400. No awards under corporation's management incentive plan were made in 1960 for performances during 1959.

(B) Payments under incentive plan for prior years. Includes payments made in 1959 under corporation's management incentive plan but does not include following amounts paid as consulting fees and/or director's fees: Courtlandt Gross & Robert Gross—\$300 each.

## Aircraft and missile manufacturing

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Martin Co.</b>				
George M. Bunker, chmn.*	\$150,000	....	\$150,000	....
William B. Bergen, pres.**	100,000	....	95,000	....
Clarence W. Miles, gen. counsel	80,000	....	80,000	....
George T. Willey, v.p.	57,000	....	52,916	....

\*Pres. until April, 1959.  
\*\*Ex. v.p. until April, 1959.

### North American Aviation, Inc. (Fiscal year Sept. 30)

		(A)		(A)
James H. Kindelberger, chmn.	\$162,000	\$ 48,000	\$168,000	\$ 72,000
J. L. Atwood, pres.	137,000	48,000	141,000	64,000
Charles J. Gallant, ex. v.p.	88,500	14,000	87,667	24,000

(A) Unpaid balance of award under incentive compensation plan. Awards were made to officers and employees of corporation for fiscal year. One fifth of award has been paid and included in aggregate remuneration paid. Balance payable in four annual installments.

### United Aircraft Corp.

H. M. Horner, chmn.	\$176,799	....	\$191,360	....
William P. Gwinn, pres.	143,180	....	155,900	....
William R. Robbins, v.p.	105,060	....	110,920	....
Erle Martin, v.p.	101,120	....	102,020	....

## Apparel and textiles

### Burlington Industries, Inc. (Fiscal year approx. Sept. 30)

		(A)		(A)
J. Spencer Love, chmn. and pres.	\$120,000	\$ 7,844	\$120,000	\$ 7,459
Herbert M. Kaiser, v. chmn. of exec. comm. & sr. v.p.	97,000	5,647	102,000	5,371
J. C. Cowan, Jr., v. chmn.	60,000	3,922	60,000	3,730
Walter E. Greer, Jr., sr. v.p.	95,000	5,491	95,000	5,221
John L. Hutcheson, Jr., sr. v.p.	63,600	....	92,000	....

(A) Amount paid to trustee under profit sharing plan. In addition, under employment contracts, the following monthly payments are to be made after retirement: Love—\$4,166 to July 31, 1971, and thereafter for life; Kaiser—\$3,000 for ten years; Cowan—\$2,000 for ten years and \$1,000 for the next five years; Greer—\$1,500 for ten years; Hutcheson—\$3,200 for 14 years.

### Cluett, Peabody & Co., Inc.

		(A)		(A)
Barry T. Leithead, pres.	\$100,000	\$ 60,000	\$100,000	....
Robert M. Dowling, v.p.	60,000	22,700	60,000	\$ 10,000
Robert T. Garrison, v.p.	54,375	30,000	50,000	15,000

(A) Incentive compensation, payable over a 10-year period following termination of employment or over a five-year period following the award, depending upon the basic salary of the recipient.

### Hart Schaffner & Marx (Fiscal year Nov. 30)

Meyer Kestnbaum, pres.	\$105,100	....	\$105,100	....
John D. Gray, v.p.	67,900	....	63,600	....
Clay E. Steele, sec'y & treas.	41,600	....	41,600	....

## Automobiles

### American Motors Corp. (Fiscal year Sept. 30)

	(A)	(B)
George W. Romney, chmn. & pres.	\$250,000	\$225,350
Bernard A. Chapman, ex. v.p.	166,691	184,901
Roy D. Chapin, Jr., ex. v.p.	166,691	184,901
Roy Abernethy, v.p.	166,691	184,901

(A) Includes bonuses for 1960 fiscal year.  
(B) Includes bonuses for 1957 and 1958 fiscal years.

### Chrysler Corp.

	(A)	
L. L. Colbert, pres., chmn.	\$251,050	\$ 9,600
W. C. Newberg, exec. v.p., pres.*	67,217	....
E. C. Row, 1st v.p.	140,950	6,400
F. W. Misch, v.p.	116,050	5,500

\*Elected pres. April 28, 1960; resigned, June 30, 1960.  
(A) Awards under incentive compensation plan.

### Ford Motor Co.

	(A)	(A)
Henry Ford, II, chmn.*	\$187,500	\$275,000
Ernest R. Breech, chmn. fin. comm.**	149,583	125,000
Robert S. McNamara, pres.***	141,667	245,000

celebrated by reinstating bonuses. Bonus payments were up at International Business Machines Corp., Goodyear Tire & Rubber Co., and General Motors Corp.

GM, which managed to improve both its sales and profits last year, paid more than \$300,000 to all of the 11 executives whose compensation it reported in the proxy statement. Seven Ford Motor Co. men topped \$300,000 even though bonuses (and profits) were below 1959.

**Over \$300,000.** Outside these two companies, there were only a few executives whose earnings—in salaries and cash bonuses—exceeded \$300,000. Among them were Samuel Bronfman, president of Distillers Corp.—Seagrams, Ltd.; C. M. White, then chairman of Republic Steel Corp.; W. K. Whiteford, chairman of Gulf Oil Corp.; Thomas J. Watson, Jr., president of IBM; Crawford H. Greenewalt, president of du Pont; Arthur B. Homer, chairman of Bethlehem Steel Corp.; Morse G. Dial, chairman of Union Carbide Corp.; and Lewis S. Rosenstiel, chairman of Schenley Industries, Inc.

But there were others whose stock and other deferred earnings—if they had been paid in cash—would have put them over \$300,000. For example, on top of his \$280,044 salary, General Electric Co. Chmn. Ralph J. Cordiner was allotted 1,331 shares of stock valued last year at more than \$90 a share. Augustus C. Long, chairman of Texaco, Inc., in addition to his \$250,000 salary got 1,530 "units." After he retires, for each unit he can collect a share of Texaco stock plus the accumulated dividends on it. And 19 directors of Bethlehem Steel received "dividend units" entitling them to 15 years of dividends on 1,000 or more shares of Bethlehem stock.

**Highest paid.** General Motors' Chmn. Frederic G. Donner was the highest-paid executive of a proxy-filing company. Even without counting GM's contribution to his pension fund, his stock options, and a company promise to pay him more than \$100,000 if he doesn't take up the options, his pay came to \$574,025.

That doesn't make Donner the richest man in the country by a long shot. There are plenty of individuals whose income derives from dividends or capital gains. Many closely held companies don't issue proxy statements to their stockholders. Most of the corporations listed on the New York Stock Exchange do—but there are a few exceptions. Johnson & Johnson, for example, put out its first proxy statement last year; its management used to consider

proxy solicitation "a waste of money" (BW—Mar.26'60,p173).

**Ambiguous yardstick.** It's risky to make comparisons between companies. For one thing, they report executives' pay in different ways. Some list the full amount of bonuses awarded for the year, even if payments are to be stretched out over several years or deferred until after retirement. Others report actual payments for the year, no matter when the bonuses were awarded. A few companies give both sets of figures, in effect reporting the same pay twice. "After all," said the attorney for one company with a somewhat spotty profit record, "our executives don't have a chance to collect bonuses very often." And the ultimate value of some deferred compensation won't be known for years.

Gimmicks like these, mostly aimed at deferring taxable income until retirement, mushroomed during the 1950s. Now in some companies the executive pay structures are veritable mazes of pensions, deferred contingent pay, stock purchase plans, savings plans, insurance programs, and the like.

**End of an era.** Arch Patton, consultant with McKinsey & Co., declares in *Men, Money and Motivation*, published last month by McGraw-Hill Book Co., that the era of gimmicks is drawing to a close. It has been several years since anybody came up with a genuinely new one. Anyway, Patton thinks, current pay deferral plans have reached the point of absurdity.

Some companies, he reports, are even paying their executives more for not working than the men ever got on the job. One financial executive drew back in horror when he realized that a new deferred pay plan his company was about to adopt actually would make his taxes higher after retirement than before.

Furthermore, it's hard to prove that this proliferation of fringe benefits gives executives any incentive to work harder. Men under 50, Patton thinks, would rather have current income—to buy homes, educate their children, and invest in the stock market. Besides, to qualify for favorable tax treatment, most of these benefits have to be offered to large groups—which makes it hard to use them as rewards for outstanding performance.

Now, says Patton, corporate boards are showing more concern about what their companies are getting for their compensation dollars. He predicts less emphasis in the 1960s on the techniques of compensation and more on what executives are getting paid for.

## Automobiles

### Ford Motor Co.

William T. Gossett, v.p. ....	135,000	225,000	125,833	265,000
John Dykstra, v.p. ....	135,000	240,000	116,667	285,000

\*Pres. in 1959.  
\*\*Chmn. in 1959.  
\*\*\*V.P. in 1959.

(A) Supplemental compensation awarded for year, payable in four annual installments.

### General Motors Corp.

	(A)		(B)	
Frederic G. Donner, chmn. ....	\$201,275	\$372,750	\$201,350	\$351,750
John F. Gordon, pres., chmn. exec. comm. ....	181,000	336,750	181,100	314,250
Louis C. Goad, exec. v.p. ....	161,000	299,250	151,100	273,000
Sherrod E. Skinner, exec. v.p. ....	151,200	338,874	137,867	255,750
Cyrus R. Osborn, exec. v.p. ....	141,000	314,582	127,867	237,000
James E. Goodman, v.p. ....	131,100	276,000	131,200	248,250
George Russell, exec. v.p. ....	122,333	271,500	121,300	237,000
Roger M. Kyes, v.p. ....	126,100	245,250	116,200	209,250

(A) Cash portion of bonus related to 1960 payable in five annual installments. In addition, stock awards, payable in five annual installments, with award value of \$45.14 per share, were made as follows: Skinner—1,332 shares, \$60,126; and Osborn—1,272 shares, \$57,418. Under the stock option plan, there was credited to Donner, Gordon, Goad, Goodman, Russell, Kyes, and four other directors a contingent credit equal to one-third of the amount of their bonus awards related to 1960.

(B) Bonus payable in five installments. In addition, under the stock option plan in 1960 there was conditionally credited to ten directors a contingent credit equal to one-third of the amount of their bonus awards related to 1959.

### Studebaker-Packard Corp.

	(A)		(B)	
H. E. Churchill, pres. ....	\$104,167	....	\$110,000	\$110,000
A. J. Porta, exec. v.p. ....	95,000	....	90,000	90,000
W. D. Mewhort, v.p. ....	75,000	....	....	....

(A) 1959 incentive compensation contingently payable over five years.

## Auto parts

### Bendix Corp. (Formerly Bendix Aviation Corp.)

(Fiscal year Sept. 30)

	(A)		(B)	
M. P. Ferguson, pres. ....	\$161,849	....	\$161,750	....
George E. Stoll, exec. v.p. ....	106,850	....	97,913	....
R. P. Lansing, v.p. ....	92,400	....	92,800	....
W. H. Houghton, v.p. & treas. ....	88,350	....	88,562	....
Charles Marcus, dir. ....	84,200	....	99,500	....
A. P. Fontaine, exec. v.p. ....	74,349	....	66,633	....

\*Houghton, Lansing and Marcus have attained their normal retirement ages but have been re-employed from year to year and their retirement benefit payments are suspended for the duration of such re-employments.

(A) Under corporation's supplemental compensation plan, supplemental compensation awards exceeding \$3,000 are paid in four annual installments. The supplemental compensation payments included represent 25% of amounts awarded in fiscal year ended Sept. 30, 1957, 1958, 1959 and 1960.

(B) The supplemental compensation payments included represent 25% of amounts awarded in fiscal year ended Sept. 30, 1956, 1957, 1958 and 1959.

### Borg-Warner Corp.

	(A)	(B)	(A)	(B)
R. C. Ingersoll, chmn. ....	\$123,438*	....	\$129,500**	....
R. S. Ingersoll, pres. ....	153,750	\$ 8,772	148,500	\$ 7,845
L. G. Porter, exec. v.p. ....	133,125	9,878	126,500	8,758

\*Of this amount corporation actually paid to R. C. Ingersoll \$106,539; the balance represents payments received under contributory retirement income plan. In addition, Ingersoll was allotted sum of \$23,437 from contingent compensation funds available which will be paid at the rate of \$2,343 per year over a period of 10 years after retirement.

\*\*Of this amount corporation actually paid R. C. Ingersoll \$112,601; the balance representing payments received under contributory retirement income plan. In addition Ingersoll was allotted sum of \$29,500 from contingent compensation funds available which amount will be paid at rate of \$2,950 per year for 10 years after retirement.

(A) Includes incentive compensation.

(B) Corporation's contributions under the contributory retirement income plan.

### Thompson Ramo Wooldridge Inc.

J. D. Wright, chmn. ....	\$162,500	....	\$ 155,500	....
D. E. Wooldridge, pres. ....	100,167	....	87,602	....
S. Ramo, exec. v.p. ....	100,417	....	86,852	....

## Building materials

### Armstrong Cork Co.

C. J. Backstrand, pres. ....	\$176,250	....	\$184,000	....
Kenneth O. Bates, exec. v.p. ....	122,500	....	128,000	....
M. J. Warnock, sr. v.p. ....	81,250	....	82,917	....

### Johns-Manville Corp.

	(A)		(A)	
A. R. Fisher, chmn. ....	\$ 52,613	\$ 39,822	\$152,100	\$ 57,519
C. B. Burnett, pres. ....	101,700	34,004	78,600	26,051
C. F. Rassweiler, v.p. ....	77,300	30,484	77,600	29,143

\*Retired April 1, 1960.

\*\*Became pres. Jan. 1, 1960; formerly ex. v.p.

(A) Profit sharing fund.

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## Building materials

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>U. S. Gypsum Co.</b>				
C. H. Shaver, chmn. ....	\$150,000	....	\$150,000	....
Oliver M. Knode, pres., chmn. exec. comm.* .....	32,423	....	90,000	....
Edward Rembert, v.p. ....	70,000	....	70,000	....
Graham J. Morgan, pres.** .....	69,548	....	56,365	....

\*Retired May 11, 1960.

\*\*Elected May 11, 1960. Formerly ex. v.p.

## Chemicals

### Dow Chemical Co.

(Fiscal year May 31, 1960)

		(A)		
Earl W. Bennett, chmn. ....	\$120,000	....	\$112,871	....
Leland I. Doan, pres., chmn. ex. comm.	200,000	....	188,118	....
Mark E. Putnam, ex. v.p. ....	130,000	....	122,277	....
A. P. Beutel, v.p. ....	120,000	....	113,742	....

(A) Contracts for services provide for the following annual payments to begin on retirement and expire on the dates indicated: Bennett—\$30,000 until Dec. 31, 1962; Doan—\$45,000 until Dec. 31, 1969; Putnam—\$30,000 until Dec. 31, 1965; Beutel—\$25,000 until Dec. 31, 1968.

### E. I. du Pont de Nemours & Co.

		(A)		(B)
<b>Crawford H. Greenewalt, pres.,</b>				
chmn. exec. comm. ....	\$205,200	\$101,000	\$205,100	\$120,000
Robert L. Hershey, v.p. ....	112,200	86,000	112,000	102,000
Robert L. Richards, v.p. ....	112,200	86,000	112,000	102,000
Lammot du P. Copeland, v.p. ....	111,900	86,000	133,192	102,000
George E. Holbrook, v.p. ....	109,672	86,000	109,676	102,000
David H. Dawson, v.p. ....	109,600	86,000	109,200	102,000
Henry B. du Pont, v.p. ....	109,350	86,000	119,567	102,000

(A) Bonus payable in four annual installments. Plus dividend units awarded and amounts received in 1960, as follows: Greenewalt—1,911 units, \$37,089; Hershey—915 units, \$15,570; Richards—915 units, \$18,608; Copeland—915 units, \$12,330; Holbrook—915 units, \$13,748; Dawson—915 units, \$17,595; duPont—915 units, \$18,608.

(B) Bonus. Plus dividend units awarded and amounts received in 1959, as follows: Greenewalt—1,815 units, \$26,228; Hershey—879 units, \$10,173; Richards—879 units, \$13,323; Copeland—879 units, \$7,286; Holbrook—879 units, \$13,323; Dawson—879 units, \$10,323; duPont—879 units, \$13,323.

### Eastman Kodak Co.

		(A)		(B)
Thomas J. Hargrave, chmn. ....	\$250,000	237 s.	\$225,000	203 s.
Albert K. Chapman, v. chmn.* .....	250,000	237 s.	225,250	203 s.
Donald McMaster, chmn. exec. comm.	170,000	161 s.	160,000	137 s.
William S. Vaughn, pres.** .....	150,000	102 s.	100,000	86 s.

\*Pres. to May 19, 1960.

\*\*V.p. and gen. mgr. to May 19, 1960.

(A) Shares allotted under incentive compensation plan, @ \$112.11 per share, payable in annual installments after end of service with company.

(B) Shares allotted under deferred incentive compensation.

### Monsanto Chemical Co.

		(A)		(B)
Charles Allen Thomas, chmn.* .....	\$135,000	....	\$135,000	\$ 81,000
Charles H. Sommer, pres.** .....	123,750	....	77,500	72,000
Carroll A. Hochwalt, v.p. ....	90,000	....	90,000	72,000
William W. Schneider, v.p. ....	90,000	....	90,000	72,000
Felix N. Williams, v.p. ....	90,000	....	90,000	72,000
John L. Gillis, v.p. ....	90,000	....	85,833	72,000

\*Pres. until March 23, 1960.

\*\*Ex. v.p. until March 23, 1960.

(A) No awards were made for 1960 under the company's bonus plan.

(B) 1959 bonus contingently payable in following three years.

### Union Carbide Corp.

		(A)		(A)
Morse G. Dial, chmn. ....	\$300,000	\$ 54,000	\$300,000	\$ 27,000
Howard S. Bunn, v. chmn. ....	200,000	36,000	200,000	18,000
Birny Mason, Jr., pres. ....	132,500	32,400	106,667	11,700
Kenneth H. Hannan, ex. v.p. ....	120,000	23,400	113,667	11,700

(A) Dividend equivalent payments received during the year.

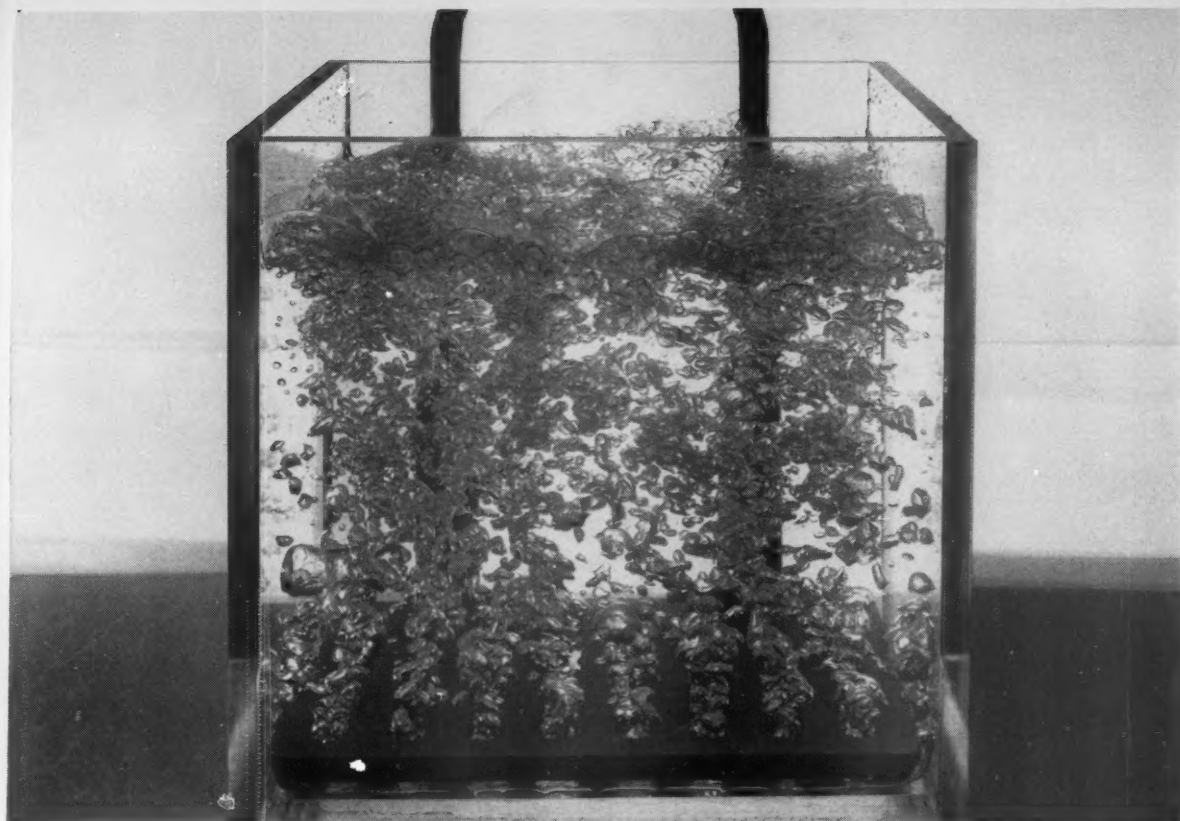
## Communications

### American Telephone & Telegraph Co.

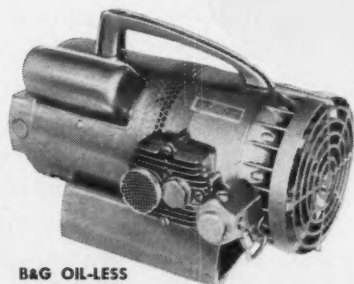
Frederick R. Kappel, pres. ....	\$256,600	....	\$220,783	....
Eugene J. McNeely, exec. v.p. ....	158,520	....	150,087	....
William C. Bolenius, ex. v.p. ....	142,447	....	134,180	....

### Columbia Broadcasting System, Inc.

		(A)		(B)
William S. Paley, chmn. ....	\$150,000	\$138,750	\$150,000	\$144,375
Frank Stanton, pres. ....	150,000	138,750	150,000	144,375



## Oil-free compressed air cuts processing costs at Kodak's photofinishing sales laboratory



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Kodak's Photofinishing Sales Laboratory in Rochester, N.Y.—where demonstrations and instruction are given to independent photofinishers—originally used "bursts" of nitrogen gas, released at controlled intervals through numerous small holes in a distributor at the bottom of the processing tank. The laboratory has since found that oil-less compressed air, as furnished by a B&G Oil-less Compressor, can be used with greater economy for all processing baths requiring agitation except the developers.

This compact compressor delivers cool, dry, oil-free air. The B&G built motor is lubricated for life; compressor piston rings and skirts are a carbon-graphite composition...never need lubrication...no danger of oil-spoiled work. Like all other Bell & Gossett products, B&G Oil-less Compressors and Vacuum Pumps are an outstanding combination of superior design, top grade materials and precision manufacture.



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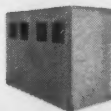
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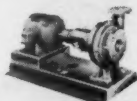
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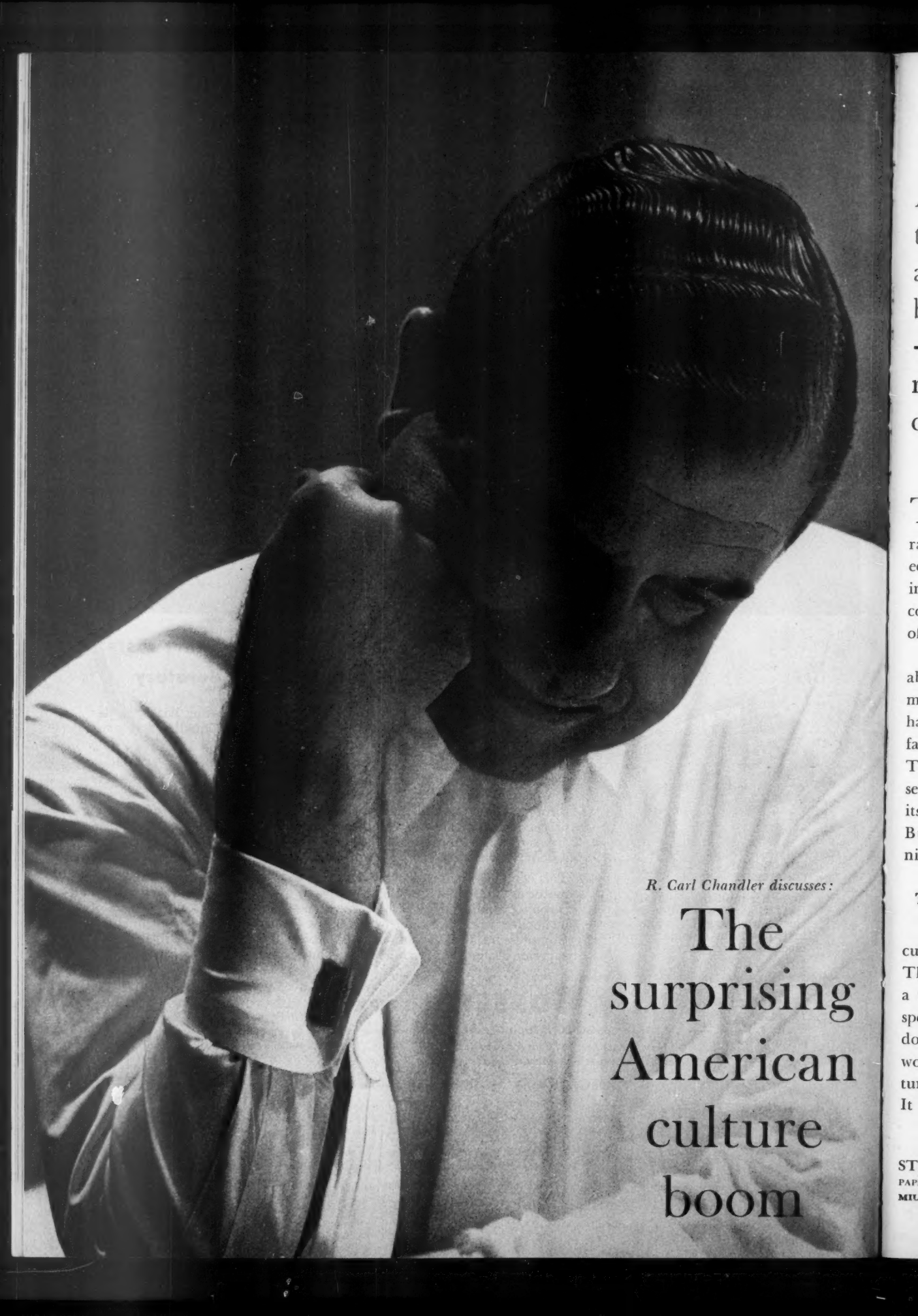
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Heat Exchangers



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*R. Carl Chandler discusses:*

The  
surprising  
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America's rising taste standards are opening up brand new markets—and quietly revolutionizing old ones.

TRADITIONALLY, culture and business are discussed separately. First we talk about art, education, and the *Finer Things in Life*. Then, with an apologetic cough, we turn to the crass topic of making and selling things.

But you can't talk that way about culture—or business—any more. For the pursuit of culture has become one of the big new factors of American *economic* life. There is scarcely a product or service on which it does not exert its quiet but powerful influence. Building. Apparel. Home furnishings. An endless progression.

#### The Mass Market—For Culture

Too many of us still think of culture as something enjoyed by The Few. A year ago, for instance, a major network put on Shakespeare's *Tempest*, very much in doubt as to how many viewers would be interested. "The Few" turned out to number 36 million. It is likely that more people saw

*The Tempest* that night than had ever seen it since it was first produced at the Globe Theatre in London, some 350 years ago.

Or take art. On a recent Sunday, the Metropolitan Museum of Art in New York counted the noses of its gallery-goers. To its own astonishment it discovered a crowd that could have filled Madison Square Garden twice over!

Books are another example. Even though more people now have TV sets than telephones, the art of reading was never livelier. Over the last decade book sales have doubled. The paperback industry alone prints a million books a day! Greek classics in low-priced editions have sold over a million copies. And *Winnie The Pooh* is today a U.S. best seller—in Latin!

Along with books, music has also shared in what the professors like to call "our cultural efflorescence". There are over a thousand symphony orchestras in the United States today, and more money is spent on classical concerts than on baseball. As a matter of fact, admissions to theatres, operas, and concerts now total a quarter more than admissions to all sporting events combined.

#### Back Of The Boom

What lies behind this unprecedented demand for culture?

In part, it is the expanding reach of education. 16 million Americans now have at least one

year of college. And college enrollment will *double* in the next decade.

The demand for culture also reflects higher incomes. As average incomes climb to upper-middle class levels, "average" tastes follow along. The escalator of American society has always meant more than just a higher standard of living. It has meant a higher standard for living.

#### The Market Impact

What does this new cultural interest mean for business?

For one thing, there is now a *mass market* for culture—a \$750 million book market; a \$500 million musical instrument market; a \$100 million classical record market; a tremendous demand for all the materials and products needed for education, including new construction.

But there is a deeper and wider impact than this. The rising taste of the American consumer means a new order of priorities for many other kinds of goods. It's no longer just a question of whether the price is right. The *style* has to be right, too.

Style, of course, is one of the things we concern ourselves with at Standard Packaging. We think there is an exciting challenge to business in the chance to cater to a discriminating clientele—in the millions.

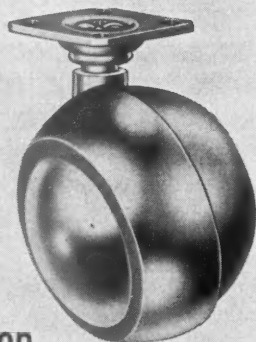
We'll be happy to discuss our ideas with you.



**G**RACE of movement for the front office is as necessary as economy and durability for production areas. Bassick can give you the one as well as the other. The "Bassick Ball" caster, illustrated here, and non-marking, non-staining nylon furniture glides will provide dignity and distinction to the finest front office. 1-15

THE BASSICK COMPANY  
Bridgeport 5, Conn.  
In Canada: Belleville, Ont.

move it  
**GRACEFULLY**



on  
**BASSICK  
CASTERS**



## Communications

### Columbia Broadcasting System, Inc.

	1960 Salary	Additional Compensation (A)	1959 Salary	Additional Compensation (B)
Merle S. Jones, v.p. ....	100,096	17,500	75,000	35,000
James T. Aubrey, Jr., v.p.* .....	100,000	40,000	68,942	20,000

\*V.p. since December, 1959.

(A) Additional compensation paid out. In addition, the following amounts were allocated as deferred compensation: Paley—\$11,250; Stanton—\$11,250; Jones—\$22,500.

(B) Additional compensation paid out. In addition, the following amounts were allocated as deferred compensation: Paley—\$5,625; Stanton—\$5,625; Jones—\$5,000.

### General Telephone & Electronics Corp.

Donald C. Power, chmn.* .....	\$181,900	....	\$175,000	....
Don G. Mitchell, pres.** .....	153,000	....	150,000	....
Thomas A. Boyd, exec. v.p. ....	85,000	....	85,000	....
Leslie H. Warner, exec. v.p. ....	85,833	....	85,000	....

\*As of March 5, 1959, corporation entered into employment contract with Power providing that he will remain in the service of the General system until June 1, 1963 (and thereafter at his election until June 1, 1966) at a salary of not less than \$175,000 per year. Upon retirement he is entitled to an annual allowance equal to 3% per year of service, of the average annual salary paid him for the 5 of the last 10 years of his employment during which he received the highest salary.

\*\*Mitchell will receive \$50,000 deferred compensation for each year of service for the years 1956 through 1960. This will be paid to him over a 10-year period upon his leaving the employ of the General system. As of Jan. 1, 1961, the corporation entered into an agreement with Mitchell providing that if his employment is terminated by action of the corporation or its subsidiaries prior to the date he is eligible for pension, the corporation will pay him a pension of \$25,000 per year for life.

### International Telephone & Telegraph Corp.

	(A)	(B)
Harold S. Geneen, pres.* .....	\$138,545	\$ 35,001
Charles D. Hilles, Jr., exec. v.p. ....	82,000	82,160
Louis T. Rader, v.p.** .....	86,520	14,006

\*Elected June 10, 1959.

\*\*In addition Rader received in 1960 nonrecurring payments of \$26,697 in connection with his employment by corporation.

(A) Payable in cash. Bonus for 1960 payable in up to five annual installments at \$27.88 per share as follows: Geneen—538 shares, \$14,999; Rader—215 shares, \$5,994.

(B) Payable in cash. Bonus for 1959 payable in up to 5 annual installments as follows: Geneen—317 shares, \$8,984; Hilles—74 shares, \$2,097. Award value per share \$28.34.

### Radio Corp. of America

	(A)	(A)
David Sarnoff, chmn. ....	\$200,000	\$200,000
Frank M. Folsom, chmn. exec. comm.* .....	25,000	83,333
John L. Burns, pres. ....	185,417	\$ 17,500
Robert Sarnoff, chmn., NBC .....	160,000	8,400
Elmer W. Engstrom, sr. exec. v.p. ....	135,000	7,700
Charles M. Odorizzi, grp. ex. v.p. ....	125,000	5,600

\*Retired June 1, 1959.

(A) Incentive awards payable in 5 annual installments. Amounts shown paid during the year.

## Containers

### American Can Co.

William C. Stolk, chmn.* .....	\$209,900	....	\$208,300	....
Roy J. Sund, pres.** .....	105,941	....	79,367	....
William F. May, v.p. ....	79,525	....	56,050	....
Clarence L. Van Schaick, v.p. ....	79,200	....	75,300	....

\*Pres. until June 14, 1960.

\*\*V.p. until June 14, 1960.

### Continental Can Co., Inc.

	(A)	(A)
Lucius D. Clay, chmn. ....	\$108,000	\$ 42,000
Thomas C. Fogarty, pres. ....	120,000	120,000
Reuben L. Perin, exec. v.p. ....	75,000	93,750

(A) Deferred contingent compensation, payable in cash.

## Distillers

### Distillers Corp.—Seagrams Ltd. (Fiscal year July 31)

Samuel Bronfman, pres. ....	\$359,750	....	\$358,323	....
Allan Bronfman, v.p. ....	204,875	....	204,162	....

### National Distillers & Chemical Corp.

	(A)	(B)
John E. Bierwirth, chmn. ....	\$207,414	2,082 s.
Roy F. Coppedge, Jr., pres. ....	137,416	946 s.
R. E. Hulse, ex. v.p. ....	102,208	757 s.
B. C. Ohlandt, ex. v.p. ....	107,216	946 s.

(A) Number of shares of common stock contingently allotted at \$26.41 per share.

(B) Shares of common stock contingently allotted, \$33.01 per share.

### Schenley Industries, Inc.

(Fiscal year Aug. 31)

Lewis S. Rosenstiel, chmn. & pres. ....	\$300,240	....	\$294,458	....
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## Distillers

Schenley Industries, Inc.  
(Fiscal year Aug. 31)

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
Ralph T. Heymsfeld, ex. v.p. ....	150,260	....	150,140	....
Adolph Hirsch, ex. v.p.* .....	60,083	....	90,140	....
Louis B. Nichols, ex. v.p. ....	75,260	....	75,160	....
W. Earle Blakeley, ex. v.p. ....	75,240	....	75,160	....

\*Ex. v.p. to June 17, 1960.

## Electrical equipment

Allis-Chalmers Manufacturing Co.

R. S. Stevenson, pres. ....	\$121,800	....	\$111,700	....
W. G. Scholl, exec. v.p. ....	89,150	....	81,550	....
B. S. Oberlink, sr. v.p. ....	68,800	....	64,200	....
J. L. Singleton, sr. v.p. ....	68,800	....	64,050	....

General Electric Co.

	(A)	(B)	(C)	(D)
Ralph J. Cordiner, chmn. ....	\$280,044	1,331 s.	\$279,974	1,491 s.
Robert Paxton, pres. ....	212,489	971 s.	212,497	1,087 s.
James H. Goss, v.p. ....	170,985	677 s.	....	....

(A) Includes portions of the incentive compensation allotted in 1960 for services performed in 1959 that were paid in cash.  
(B) Incentive compensation contingently allotted (but not paid) in 1960 at \$90.125 per share.  
(C) Includes approximately 1/2 incentive compensation allotted in 1959 for services performed in 1958, this portion of incentive compensation having been paid in cash.  
(D) Shares of stock allotted contingently in 1959 at \$80.50 per share.

Westinghouse Electric Corp.

	(A)	(B)	(A)	(B)
Gwilym A. Price, chmn. ....	\$106,450	....	\$115,550	....
Mark W. Cresap, Jr., pres. ....	150,850	2,194 s.	136,494	1,972 s.
J. K. Hodnette, ex. v.p. ....	111,316	1,536 s.	100,950	1,381 s.
E. V. Huggins, v.p. & chmn. ex. comm.	107,503	1,360 s.	107,659	1,223 s.

(A) Aggregate remuneration includes incentive compensation paid in cash.  
(B) Incentive compensation contingently awarded in stock.

Zenith Radio Corp.

		(A)		(B)
Hugh Robertson, chmn. ....	\$ 60,000	\$126,997	\$ 56,667	\$332,880
Joseph S. Wright, pres. ....	60,000	126,997	53,334	140,972
S. Kaplan, exec. v.p. ....	50,000	126,997	45,000	140,972
Leonard C. Truesdell, pres., Zenith Sales Corp. ....	50,000	126,997	46,667	144,722

(A) Incentive compensation payable in 3 equal annual installments. Does not include amount set aside or accrued during year for profit sharing retirement plan: Robertson—\$2,196; Wright—\$1,098; Kaplan—\$2,196; Truesdell—\$1,464.  
(B) Incentive compensation payable in 3 equal annual installments. Does not include amount set aside or accrued during year for profit sharing retirement plan: Robertson—\$2,404; Wright—\$1,202; Kaplan—\$2,404; Truesdell—\$1,603.

## Food products

Armour & Co.

		(A)		(B)
Frederick W. Specht, chmn.* .....	\$ 75,000	....	\$ 75,000	....
William Wood Prince, pres. ....	138,750	....	111,923	....
Edward W. Wilson, exec. v.p. ....	79,039	\$ 19,760	70,000	\$ 12,600
Robert H. Borchers, exec. v.p. ....	69,039	....	60,000	8,400

\*Retired Oct. 31, 1960.

(A) Contingent compensation under management incentive compensation plan. Payment made in five equal annual installments beginning first day of February following date on which employee ceases to be employed by company.  
(B) Contingent compensation under management incentive compensation plan. Payment made in ten equal annual installments after end of employment.

Borden Co.

Harold W. Comfort, pres. ....	\$128,050	....	\$128,100	....
Roy D. Wooster, exec. v.p. ....	108,950	....	109,450	....
Francis R. Elliott, exec. v.p. ....	97,750	....	88,300	....

Corn Products Co.

William T. Brady, chmn.* .....	\$152,600**	....	\$151,900	....
John R. Rhamstine, pres.*** .....	116,933	....	118,700	....
Aaron S. Yohalem, sr. v.p. ....	65,917	....	....	....

\*Pres. in 1959.

\*\*In addition, will receive deferred compensation in the amount of \$35,000 representing total remuneration under company's executive compensation program awarded in 1959 and 1960.

\*\*\*Ex. v.p. in 1959.

General Foods Corp.

(Fiscal year March 31, 1960)

		(A)		(B)
Charles G. Mortimer, chmn.* .....	\$150,000	\$ 31,000	\$148,333	\$ 31,000
George Hampton, sr. exec. v.p.** .....	123,822	....	115,000	16,000
Wayne C. Marks, pres.*** .....	107,273	20,000	100,000	16,000

\*Pres. in 1959.

\*\*Retired March 31, 1960.

\*\*\*Ex. v.p. in 1959.

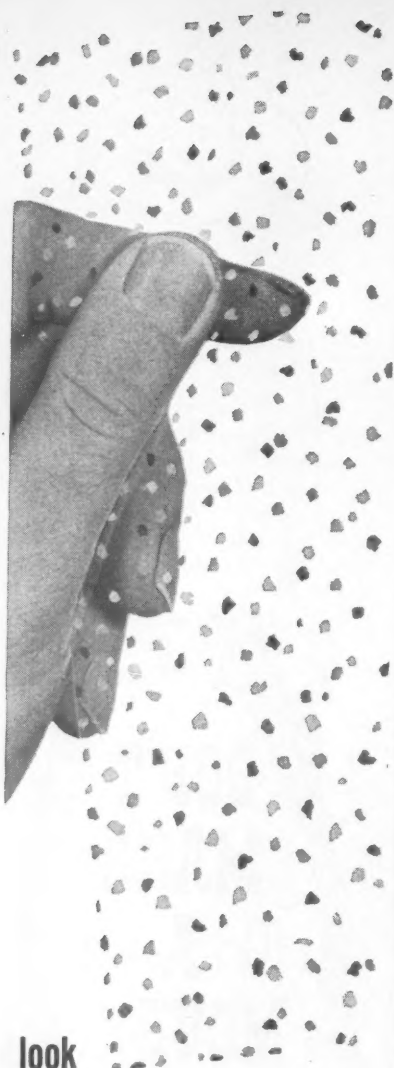
(A) Deferred remuneration under management incentive plan, paid in May, 1960. Contingently payable in next four years: Mortimer—\$124,000; Marks—\$80,000.

(B) Deferred remuneration under management incentive plan, paid in May, 1959. Contingently payable in next four years: Mortimer—\$124,000; Hampton—\$64,000; Marks—\$64,000.



A. B. Groos  
Director of Industry  
Board of Trade  
San Bernardino, California

Write or wire Dept. BW-5/61



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what you  
can't see . . .

In a Paterson Overlay Paper you can't see the paper! All you *can* see, seemingly floating, is the attractive metal fleck pattern.

After the Overlay Paper has been put under heat and pressure and saturated with a special plastic resin—it becomes transparent. All you see is the colorful pattern. All you feel is a hard, wear-resistant surface. But it all started with the disappearing act of a Paterson Overlay Paper.

Whatever your particular needs, Paterson offers a range of pattern papers, filtration papers, absorbent papers, saturating papers, high-strength cloth-substituting papers—and other Custom Papers. And whatever your business, we invite your inquiries.

**PATERSON PARCHMENT PAPER CO.**  
Bristol, Pennsylvania

NEW YORK, N.Y., CHICAGO, ILL., SUNNYVALE, CALIF.

## Food products

### General Mills, Inc.

(Fiscal year May 31, 1960)

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
Gerald S. Kennedy, chmn. ....	\$100,000	....	\$130,294	\$ 9,000
Charles H. Bell, pres. ....	125,000	....	178,784	12,500
Arthur D. Hyde, ex. v.p. ....	77,500	....	110,257	8,000
Edward O. Boyer, ex. v.p. ....	60,900	....	87,139	6,000
Edwin W. Rawlings, ex. v.p. ....	73,333	....	....	....

(A) Deferred compensation to be paid one year after retirement.

### National Biscuit Co.

	(A)	(B)
George H. Coppers, chmn.* ....	\$231,895	\$155,000
Lee S. Bickmore, pres. ....	107,733	\$ 16,533
George A. Mitchell, sr. v.p. ....	83,550	79,400
Russell M. Shultz, sr. v.p. ....	82,950	79,400

\*1960 salary includes salary, fees and deferred awards in 1960. Died Dec. 28, 1960.

(A) Cash awards currently payable under management incentive compensation plan. In addition the following deferred awards were made including stock shares at \$75.388 per share: Mitchell—\$6,300, 85 shares, value \$6,406; Shultz—\$6,300, 85 shares, value \$6,406.

(B) Cash awards currently payable. In addition the following deferred awards were made in cash and stock shares at \$54.10 per share to: Coppers—\$6,366, 118 shares, value \$6,384; Mitchell and Shultz—\$3,183, 59 shares, value \$3,192, each.

### National Dairy Products Corp.

E. E. Stewart, chmn. ....	\$186,580	....	\$186,600	....
J. Huber Wetenhall, pres. ....	101,480	....	91,083	....
J. Clyde Loftis, v.p.* ....	101,380	....	101,885	....

\*Under employment contract Loftis will receive, for eight years following termination of employment, annually \$27,344 plus \$6,250 for each year of service after Dec. 31, 1960.

## Glass

### Libbey-Owens-Ford Glass Co.

G. P. MacNichol, Jr., pres. ....	\$152,319	...	\$140,608	....
C. W. Davis, exec. v.p. ....	126,319	...	114,608	....
John D. Biggers, chmn. fin. comm. ..	114,619	...	166,608	....

### Owens-Illinois Glass Co.

J. P. Levis, chmn. ....	\$150,000	....	\$150,000	....
C. R. Megowan, pres. ....	145,000	....	145,000	....
C. G. Bensinger, exec. v.p. ....	100,000	....	100,000	....
H. C. Laughlin, exec. v.p. ....	100,000	....	100,000	....

### Pittsburgh Plate Glass Co.

	(A)	
E. T. Asplundh, chmn. ....	\$150,033	\$143,750
David G. Hill, pres. ....	209,996	230,000
Leland Hazard, consultant ....	100,000	125,000

(A) In addition, under employment contracts, certain officers are entitled to receive annual cash payments and deliveries of shares of stock after retirement: Asplundh—\$49,405 a year for two years, thereafter \$35,155 per year for life, plus 3,384 shares; Hazard—\$28,500 in the first year plus 635 shares; Hill—1,822 shares. Amounts equivalent to declared dividends on this stock, credited as dividend equivalents at Dec. 31, 1960, were as follows: Asplundh—\$15,762; Hazard—\$4,851; Hill—\$5,762.

## Grocery chains

### Great Atlantic & Pacific Tea Co., Inc.

(Fiscal year Feb. 25, 1961)

Ralph W. Burger, chmn. & pres. ....	\$201,069	...	\$200,969	....
John D. Ehrigott, v.p. & treas. ....	141,061	...	126,333	....
Harry B. George, v.p. ....	113,973	...	101,321	....
Stephen W. Shea, v.p. ....	93,069	...	88,477	....

### Kroger Co.

	(A)	(B)
Joseph B. Hall, pres. ....	\$175,000	\$ 577
Jacob E. Davis, v.p. ....	100,000	577
John M. Lockhart, v.p. ....	100,000	577

(A) Credits in employees' savings & profit sharing plan.

### Safeway Stores, Inc.

	(A)	(B)
Robert A. Magowan, chmn. & pres. ..	\$ 75,000	\$ 60,000
W. S. Mitchell, sr. v.p. ....	72,916	36,458
George T. Burroughs, v.p. ....	50,000	25,000
A. Russell Griffith, v.p. ....	50,000	25,000

(A) Share in profits. In addition, 1960 contribution to deferred profit sharing plan: Mitchell—\$16,406; Burroughs—\$11,250; Griffith—\$11,250.

(B) Share in profits. In addition, 1959 contribution to deferred profit sharing plan: Burroughs, Griffith, Mitchell—\$11,250 each.



**What is it?**

IF YOU GUESSED a porthole, a saucer of milk, or an open manhole, you're wrong. It represents an important source of revenue to the Rock Island railroad: manufactured goods. The point is, no matter what you want to ship—whether vast quantities of a tiny item or a one-of-a-kind colossus—you can be sure the Rock Island will spare no effort to transport it carefully, quickly, and economically. Modern equipment, electronic traffic controls, automatic classification yards, systemwide Teletype and Microwave networks, experienced, expert, conscientious personnel—all assure that your freight will be handled the way you want it handled.

*What is it? See page 92*



**ROCK ISLAND LINES**

*The railroad of planned progress  
...geared to the nation's future*

CHICAGO 5



1. Polyethylene is chosen for squeeze bottles because it: (a) travels safely (b) comes in a variety of colors (c) resists chemicals

**What's your score on 'packaging with polyethylene'?**

(Exciting uses hold profitable ideas)



2. Applying protective polyethylene film to this 2000-gal. tank takes: (a) 30 minutes (b) 30 seconds (c) 15 minutes



3. Wrapping bread automatically in polyethylene film: (a) reduces rewraps (b) averages 43 loaves/min. (c) keeps bread softer.

#### ANSWERS

1. Check all three. They're just a few reasons why polyethylene squeeze bottles are so popular.
2. (b)—Only 30 seconds! Previous materials took 15 minutes.
3. Check (a) and (b). (c) is also a well-known advantage of polyethylene film.

If you have questions—about plastics and their potential for your business—please ask us. We'll be glad to answer on the uses of polyethylenes, epoxies, phenolics, styrenes, and vinyls. Just write or call any of our offices or write Dept. JA-19E, Union Carbide Plastics Company, Division of Union Carbide Corporation, 270 Park Avenue, New York 17, New York. In Canada: Union Carbide Canada Limited, Toronto 12.

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**UNION CARBIDE**

#### Mail order houses

##### Montgomery Ward & Co., Inc. (Fiscal year approx. Jan. 31)

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
		(A)		(A)
John A. Barr, chmn. ....	\$101,200	\$ 36,736	\$100,033	\$ 36,875
Paul M. Hammaker, pres.* .....	91,200	22,668	78,500	22,700
Charles J. Kushell, Jr., v.p. ....	76,200	17,892	65,475	12,080

\*Ex. v.p. in 1959.

(A) Deferred compensation annual payments during 10-year period upon termination of employment.

##### Sears, Roebuck and Co.

		(A)		(A)
Fowler B. McConnell, chmn.* .....	\$ 51,275	.....	\$147,262	\$ 1,480
Charles H. Kellstadt, chmn.** .....	158,466	\$ 1,320	147,262	1,480
Crowdus Baker, pres. and chmn. finance comm. ....	129,621	1,320	105,000	1,480
George H. Struthers, v.p. ....	103,656	990	73,226	1,110
Austin T. Cushman, v.p. ....	103,000	1,320	106,000	1,480
Hugh K. Duffield, v.p. ....	101,500	1,320	103,000	1,480
Gordon M. Metcalf, v.p. ....	100,156	1,320	94,631	1,480

\*Retired May 9, 1960.

\*\*Pres. until May 9, 1960.

(A) Employer's contribution to profit sharing fund.

#### Nonferrous metals

##### Aluminum Co. of America

	(A)	(B)	(A)	(B)
Frank L. Magee, chmn.* .....	\$177,500	\$ 27,500	\$187,000	\$ 45,000
I. W. Wilson, chmn. fin. comm.** .....	162,500	20,000	195,000	45,000
Lawrence Litchfield, Jr., pres.*** .....	108,750	22,500	97,000	30,000
Leon E. Hickman, exec. v.p. ....	129,000	21,000	140,000	36,000
M. M. Anderson, exec. v.p. ....	117,000	21,000	127,000	35,000

\*Pres. until Sept. 15, 1960.

\*\*Bd. chmn. until Sept. 15, 1960.

\*\*\*Ex. v.p. until Sept. 15, 1960.

(A) Includes additional compensation accrued for services rendered in year although such additional compensation was not payable until following year.

(B) Amounts accrued by the company for the accounts of officers under deferred compensation agreements for payment after termination of employment.

##### American Smelting & Refining Co.

		(A)		(B)
J. D. MacKenzie, chmn. & pres. ....	\$119,397	118 s.	\$102,179	78 s.
R. Worth Vaughan, v. chmn. ....	71,950	82 s.	71,923	68 s.
E. McL. Tittman, exec. v.p. ....	73,315	73 s.	63,313	58 s.
R. D. Bradford, exec. v.p. ....	73,315	73 s.	63,081	50 s.
Adin A. Brown, v.p. ....	61,705	71 s.	61,766	58 s.

(A) Shares of stock contingently allotted in 1960 at \$45.00 per share under additional compensation plan. Dividend equivalents on contingent allotments in 1960: MacKenzie—\$1,523; Vaughan—\$1,287; Tittman—\$769; Bradford—\$1,032; Brown—\$752.

(B) Shares of stock contingently allotted in 1959 at \$54.375 per share under additional compensation plan. Dividend equivalents on contingent allotments: MacKenzie—\$749; Vaughan—\$648; Tittman—\$363; Bradford—\$514; Brown—\$354.

##### Anaconda Co.

Clyde E. Weed, chmn. ....	\$202,880	.....	\$201,890	.....
Charles M. Brinckerhoff, pres. ....	127,500	.....	126,785	.....
Edward S. McGlone, exec. v.p. ....	112,900	.....	111,510	.....
C. J. Parkinson, exec. v.p. ....	108,793	.....	86,690	.....

##### Kaiser Aluminum & Chemical Corp.

Henry J. Kaiser, founder — chmn. ....	\$100,513	.....	\$121,025	.....
Edgar F. Kaiser, chmn. ....	91,381	.....	101,841	.....
E. E. Trefethen, Jr., v. chmn. ....	108,188	.....	104,082	.....
D. A. Rhoades, pres. ....	160,000	.....	145,000	.....

##### Kennecott Copper Corp.

		(A)		(A)
Charles R. Cox, pres. ....	\$192,000	.....	\$191,600	.....
Frank R. Milliken, exec. v.p. ....	126,200	\$ 47,500	126,500	.....

(A) 1960 Executive Incentive Compensation awards.

##### National Lead Co.

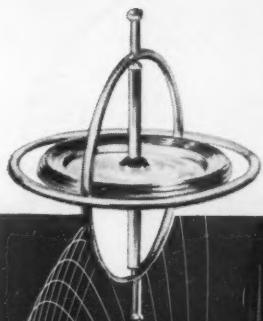
		(A)		(A)
Joseph A. Martino, pres., chmn. ex. comm. ....	\$242,500	\$ 36,375	\$260,000	\$ 39,000
Alfred H. Drewes, v.p. ....	118,750	17,812	125,000	18,750
Frank J. Koegler, v.p. ....	108,854	16,328	113,750	17,062
David A. Merson, v.p. ....	108,854	16,328	113,750	17,062
Joseph H. Reid, v.p. ....	99,750	14,962	106,250	15,937
Graham W. Corddry, mgr. Titanium Div. ....	99,750	14,962	105,000	15,750

(A) Accrued under profit-sharing plan.

Most Inviting Sales "Climate" Yet Devised—

# YORK

## Balanced Cooling!

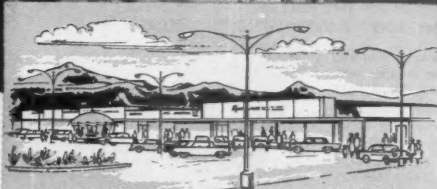


**Now! The air conditioning that prevents over-cooling, stickiness, drafts!**

*Balance* makes the big difference in air conditioning! That's why York designs and engineers its own major components to assure full coordinated control of temperature, humidity, circulation and filtration. Result: crisp, uniform comfort no matter how high the temperature or how heavy the crowds.

York Packaged Air Conditioners are available in water-cooled models from 3 to 33.3 tons capacity. The heavy-duty models have reserve cooling systems to keep the cooling in constant *balance* with the heat load under all conditions... save you 15% or more on operating cost. Units are self-contained...or remote...can be used with or without ductwork. You can start with a single unit and add them zone by zone or floor by floor. **LOOK IN THE YELLOW PAGES** for the name of your nearest York Dealer!

**Lease Plan Available** that lets you air condition without capital investment.



**Proved in Action at  
Del Webb Shopping  
Center, Tucson, Arizona**

York Packaged Air Conditioners provide just the flexibility needed in this huge modern shopping center. Even the sidewalks are air conditioned for the ultimate in comfort.



*Don't settle for ordinary air conditioning  
when you can get York "Balanced Cooling"*

# YORK

**CORPORATION**  
SUBSIDIARY OF BORG-WARNER CORPORATION  
WEST GRANTLEY ROAD, YORK, PENNSYLVANIA



Air Conditioning, Heating, Refrigeration and Ice Equipment • Products for Home, Commercial and Industrial Installations

Enjoy your Yard, Patio,  
Pool, Garden,  
at **NIGHT**...

without **BUGS**

with

**SNAPPER**

**Black-Light  
Insect Control**

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### Nonferrous metals

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
	(A)	(B)	(C)	(D)
<b>Reynolds Metals Co.</b>				
R. S. Reynolds, Jr., pres.*	\$155,780	500 s.	\$166,820	1,750 s.
J. Louis Reynolds, exec. v.p.	166,261	813 s.	167,125	1,516 s.
D. P. Reynolds, exec. v.p.	135,910	813 s.	136,665	1,516 s.
W. G. Reynolds, exec. v.p.	137,242	813 s.	139,315	1,516 s.
Walter L. Rice, v.p.	110,940	688 s.	111,660	1,283 s.

\*In addition, Robertshaw-Fulton Controls Co. paid during 1960 \$37,900 to R. S. Reynolds, Jr., \$7,900 during 1959.  
(A) Includes cash payments made in 1961 for services rendered in 1960 under company's additional compensation plan. Includes cash bonus payments made in 1960 by several foreign subsidiaries for services rendered in 1959, as follows: J. Louis Reynolds—\$2,556 and W. G. Reynolds—\$4,811.  
(B) Incentive compensation contingently allotted in stock at \$39.97 per share.  
(C) Includes cash payments made in 1960 for services rendered in 1959 under company's additional compensation plan. Includes cash bonus payments made in 1959 by several foreign subsidiaries for services rendered in 1958, as follows: J. Louis Reynolds—\$13,327; W. G. Reynolds—\$6,550.  
(D) Incentive compensation contingently allotted in stock at \$42.85 per share.

### Office machines

	(A)	(A)
<b>International Business Machines Corp.</b>		
Thomas J. Watson, Jr., pres.	\$141,000	\$166,543
Albert L. Williams, exec. v.p.	116,635	122,132
Arthur K. Watson, v.p.	95,600	38,860

(A) Percentage compensation having relation to profits.

	(A)	(A)
<b>National Cash Register Co.</b>		
Stanley C. Allyn, chmn.	\$150,000	\$ 6,653
Robert S. Oelmann, pres.	218,750	4,435
Gordon A. Lowden, exec. v.p.	90,000	2,661
Harry C. Keeseecker, v.p.	100,000	2,606

(A) Trust for employees. This does not come from company funds.

### Sperry Rand Corp.

(Fiscal year March 31, 1960)

Gen. Douglas MacArthur, chmn.	\$ 68,600	....	\$ 68,600	....
Harry F. Vickers, pres.	225,000	....	225,140	....
Kenneth R. Herman, ex. v.p.	133,300	....	124,060	....
Carl G. Holschuh, ex. v.p.	119,950	....	111,620	....

### Oil

	(A)	(A)
<b>Cities Service Co.</b>		
Burl S. Watson, chmn.	\$153,030	\$ 6,000
W. Alton Jones, chmn. ex. comm.	101,660	4,000
J. Ed. Warren, pres.	127,220	3,750
Henry L. O'Brien, gen. counsel	102,590	4,000
George H. Hill, Jr., sr. v.p.	84,690	2,887
Alfred P. Frame, sr. v.p.	84,350	3,300

(A) Thrift plan.

### Gulf Oil Corp.

	(A)	(B)
W. K. Whiteford, chmn.*	\$175,000	\$150,012
R. O. Rhoades, chmn.**	104,166	58,509
E. D. Brockett, pres.***	93,333	125,000

\*Pres. to Oct. 31, 1960.

\*\*Resigned Oct. 31, 1960.

\*\*\*Ex. v.p. to Oct. 31, 1960.

(A) Incentive compensation plan payable in five equal installments. In addition, share units contingently credited to accounts of Whiteford—4,926 units; Rhoades—1,921 units.

(B) Incentive compensation plan. Payable in five equal annual installments. In addition, share units contingently credited to accounts of: 1959: Rhoades—2,788; Whiteford—4,103; 1958: Proctor—995; Whiteford—1,055; Rhoades—795.

### Phillips Petroleum Co.

	(A)	(A)
K. S. Adams, chmn.	\$225,800	....
Stanley Learned, chmn. exec. comm. and asst. to pres.	160,000	....
Paul Endacott, pres.	170,000	....
W. W. Keeler, exec. v.p.	135,000	....
B. F. Stradley, v.p.	90,000	....
John M. Houchin, v.p.	85,833	....
Rayburn L. Foster, v.p.	85,000	....

(A) In addition, under the company's contributory thrift plan, participants may deposit not more than 5% of their salaries in Funds A and B and for each five years of service may deposit an additional 1% of their salaries in Fund C. The company contributes an amount equal to 50% of their deposits. All officers participate in this plan to the maximum extent possible.



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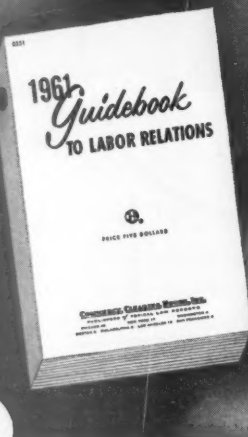
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### Oil

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Shell Oil Co.</b>		(A)		(A)
H. S. M. Burns, pres. & chmn. exec. comm. ....	\$225,000	\$ 22,500	\$225,000	\$ 22,500
Monroe E. Spaght, exec. v.p. ....	150,000	15,000	135,000	13,500
D. B. Kemball-Cook, exec. v.p. ....	90,000	9,000	80,000	8,000
R. C. McCurdy, pres. ....				
Shell Chemical Co. ....	135,000	13,500	125,000	12,500

(A) Payments to Shell provident fund.

### Sinclair Oil Corp.

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Sinclair Oil Corp.</b>		(A)		(A)
P. C. Spencer, chmn. ....	\$185,600	\$ 5,550	\$185,500	\$ 5,550
James E. Dyer, v. chmn. ....	115,600	3,450	109,250	3,112
E. L. Steiniger, pres. ....	130,600	3,900	124,300	3,562
Harry Jeffries, chmn. fin. comm.* ....	85,650	2,550	80,600	2,325
O. P. Thomas, exec. v.p.** ....	51,443	1,275	....	....

\*Exec. v.p. to March 23, 1960.

\*\*V.p. to March 23, 1960.

(A) Employees' savings plan.

### Socony Mobil Oil Co.

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Socony Mobil Oil Co.</b>		(A)		(A)
F. W. Bartlett, chmn. ....	\$130,000	\$ 6,500	\$129,167	\$ 5,818
A. L. Nickerson, pres. ....	165,000	8,260	165,000	8,260
H. Willetts, exec. v.p. ....	115,000	5,760	113,333	5,677
H. J. Schmidt, exec. v.p. ....	95,000	2,850	87,500	2,626
P. V. Keyser, Jr., exec. v.p. ....	93,333	4,667	90,000	4,500
G. S. Dunham, sr. v.p. ....	90,000	4,500	90,000	4,500

(A) Amount paid to trustee under Employees' Savings Plan.

### Standard Oil Co. of California

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Standard Oil Co. of California</b>		(A)		(A)
R. G. Follis, chmn. ....	\$200,000	\$ 13,383	\$200,000	\$ 12,619
T. S. Petersen, pres. ....	175,000	11,685	175,000	11,018
Gage Lund, v.p. ....	120,000	7,963	120,000	7,509

(A) Amount contingently allocated under stock plan.

### Standard Oil Co. (New Jersey)

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Standard Oil Co. (New Jersey)</b>		(A)		(A)
Eugene Holman, chmn.* ....	\$ 83,333	\$ 11,994	\$250,000	\$ 23,775
Leo D. Welch, chmn.** ....	179,167	14,067	143,750	13,438
M. J. Rathbone, pres. ....	239,583	19,346	214,583	20,004
E. E. Soubry, exec. v.p. ....	168,750	13,667	153,750	14,387
L. W. Elliott, exec. v.p. ....	168,750	13,667	153,750	14,387

\*Chmn. until April, 1960.

\*\*Exec. v.p. until April, 1960.

(A) Thrift plan.

### Texaco, Inc.

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Texaco, Inc.</b>		(A)		(A)
Augustus C. Long, chmn. ....	\$250,000	\$ 6,012	\$218,790	\$ 5,760
J. W. Foley, pres. ....	140,000	4,212	127,500	3,822
Oscar John Dorwin, sr. v.p. & gen. counsel ....	103,450	2,700	96,870	2,580
C. B. Barrett, sr. v.p. ....	93,005	2,412	75,000	2,232

(A) Dollar amounts were paid to trustee under company's employees' savings plan. Units, each equivalent to one share of stock plus dividends on it, are payable in installments after retirement or death. Units in 1960: Long—1,530; Dorwin—534; Barrett—335.

### Paper

#### Crown Zellerbach Corp.

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Crown Zellerbach Corp.</b>				
R. O. Hunt, pres.* ....	\$121,100	....	\$112,767	....
A. B. Layton, chmn. fin. comm.** ....	100,200	....	101,100	....
P. T. Sinclair, exec. v.p.*** ....	80,900	....	70,984	....
G. J. Ticoulat, sr. v.p. ....	70,800	....	65,900	....
King Wilkin, v.p.*** ....	70,800	....	65,400	....
G. E. Young, sr. v.p. ....	55,700	....	55,300	....

\*Ex. v.p. to June, 1959.

\*\*Pres. to June, 1959.

\*\*\*Elected May, 1959.

\*\*\*Elected June, 1959.

#### International Paper Co.

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>International Paper Co.</b>				
John H. Hinman, chmn. ....	\$175,000	....	\$185,417	....
Richard C. Doane, pres. ....	175,000	....	165,625	....
Lamar M. Fearing, exec. v.p. ....	75,000	....	75,000	....
F. Henry Savage, v.p. ....	75,000	....	....	....
Erling Riis, v.p. ....	71,496	....	71,496	....

## Pharmaceuticals

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
Johnson & Johnson	(A)	(B)	(A)	(B)
R. W. Johnson, chmn. ....	\$141,000	....	\$147,500	....
P. B. Hofmann, chmn. exec. comm. ..	140,842	\$ 32,366	137,602	\$ 29,180
G. O. Lienhard, v. chmn. ex. comm. ..	129,877	29,571	127,330	26,960
G. F. Smith, pres. ....	120,245	27,504	105,396	15,837
H. C. McKenzie, member ex. comm. ..	109,143	14,847	110,762	13,085
R. B. Sellars, member ex. comm. ....	104,223	19,016	112,560	18,719
W. J. Holman, Jr., member ex. comm.	103,162	9,854	106,679	5,854

(A) Includes amount expensed for value of common stock accrued during year under stock compensation agreements. Issuance partly on deferred basis.  
(B) Extra compensation, payable upon termination of employment.

## Merck & Co., Inc.

	(A)	(B)	(A)	(C)
Vannevar Bush, chmn. ....	\$ 25,000	....	\$ 25,000	....
John T. Connor, pres. ....	105,239	698 s.	135,300	390 s.
Henry W. Gadsden, exec. v.p. ....	99,935	639 s.	129,861	390 s.

(A) Includes cash awards during year under company's executive incentive plan for services performed the previous year.  
(B) Contingent awards of common stock pursuant to executive incentive plan @ \$85.95 per share.  
(C) Contingent awards of common stock pursuant to executive incentive plan, @ \$76.775 per share.

## Charles Pfizer & Co., Inc.

	(A)	(A)
John E. McKeen, chmn. & pres. ....	\$201,100	....
John J. Powers, Jr., sr. v.p. ....	150,610	....
Allan J. Greene, admin. v.p. ....	97,371	....

(A) Includes amounts accrued during year as additional compensation based on percentage of net profits of the company and its subsidiaries.

## Smith, Kline & French Laboratories

Francis Boyer, chmn. ....	\$100,000	....	\$100,000	....
Walter A. Munns, pres. ....	142,872	....	143,072	....
Robert W. Hompe, v.p. ....	82,152	....	....	....

## Soap and toiletries

### Colgate-Palmolive Co.

	(A)	(B)
Edward H. Little, chmn. ....	\$127,894	\$ 10,000
George H. Lesch, pres.* ....	105,137	6,000
Ralph A. Hart, exec. v.p. ....	100,000	5,000

\*V.p. in 1959.

(A) Incentive award for 1960 payable in five or more annual installments if and as earned out. Figure in (A) column is amount paid for 1960. To be earned out: Little—\$40,000; Lesch—\$40,000; Hart—\$35,000.  
(B) Executive incentive compensation plan approved in 1959. The first \$5,000 of each award or 20% thereof, whichever is greater, shall be payable when award is made and balance in four equal installments thereafter.

## Procter & Gamble Co.

(Fiscal year June 30)

	(A)	(A)
Neil H. McElroy, chmn.* ....	\$248,913	\$ 24,807
Richard R. Deupree, honorary chmn.	75,000	....
Howard J. Morgens, pres. ....	285,000	43,890
Walter L. Lingle, Jr., ex. v.p. ....	225,000	41,382

\*McElroy elected director and chairman of board Dec. 8, 1959, succeeding Deupree. McElroy was director of company since 1943 and president since 1948. Resigned Sept. 30, 1957, and granted leave of absence to become Secretary of Defense.

(A) Amount set aside in profit sharing trust plan.

## Steel

### Armco Steel Corp.

Ralph L. Gray, chmn. & consultant* ..	\$ 65,000	....	\$275,037***	....
Logan T. Johnston, pres.** ....	199,036	....	155,035	....
R. S. Gruver, v.p. ....	107,635	....	111,034	....

\*Pres. in 1959.

\*\*Ex. v.p. in 1959.

\*\*\*Includes \$150,000 allocated Gray from incentive compensation fund for 1959, only 1/5 of which was paid at time of general distribution of fund, the balance being payable in 4 equal annual installments commencing in 1961.

### Bethlehem Steel Corp.

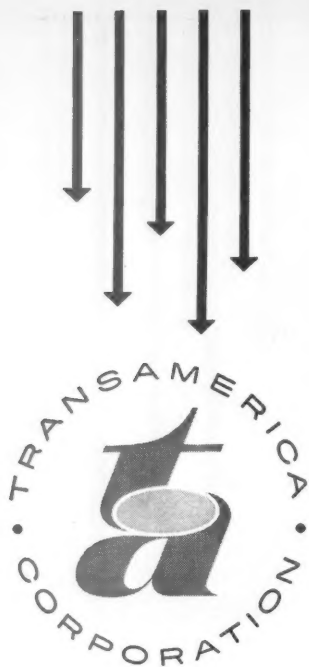
	(A)	(B)
A. B. Homer, chmn.* ....	\$300,000	3,634 units
E. F. Martin, pres.** ....	241,250	2,922 units
R. E. McMath, v.p. ....	235,000	2,847 units
J. V. Honeycutt*** ....	235,000	2,847 units
A. F. Peterson*** ....	235,000	2,847 units



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## Steel

### Bethlehem Steel Corp.

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
N. Berkeley, v.p. ....	225,000	2,726 units	145,000	158,894
J. M. Larkin***	225,000	2,726 units	145,000	158,894

\*Pres. in 1959.

\*\*V.p. in 1959.

\*\*\*V.p.'s of Bethlehem Steel Co., steel-making, ship-building, and ship-repairing subsidiary of the corporation.

(A) Dividend units credited. Under special incentive compensation plan, executives of corporation are eligible to receive special incentive compensation in form of "dividend units." Under said plan for each year beginning with 1960 there are credited to the executives after the close of such year, in proportion to the cash compensation received by them, respectively, "dividend units" (taken at the market value of the common stock of the corporation at beginning of such year) in an aggregate amount equal to 2% of consolidated net income for such year. Each "dividend unit" entitles the holder to receive from the corporation a cash payment equal to each cash dividend that shall be paid in one share of common stock of the corporation after the crediting of the unit and during the life of the executive (but in any event until the 5th anniversary of the termination of his service, by death or otherwise).

(B) Special incentive compensation paid under special incentive compensation plan which was terminated July 1, 1959.

### Inland Steel Co.

Joseph L. Block, chmn. ....	\$168,996	....	\$168,996	....
Philip D. Block, Jr., v. chmn. ....	136,004	....	135,900	....
John F. Smith, Jr., pres. ....	132,496	....	132,017	....
Hjalmar W. Johnson, v.p. ....	125,000	....	125,000	....
Leigh B. Block, v.p. ....	110,996	....	110,996	....
Charles L. Hardy, pres. of Joseph T. Ryerson & Son, Inc. ....	120,145	....	123,000	....

### Jones & Laughlin Steel Corp.

	(A)	(A)		(A)
Avery C. Adams, chmn. ....	\$190,000	\$ 42,000	\$190,000	....
Charles M. Beeghly, pres.* ....	123,333	28,000	110,000	....
A. T. Lawson, v.p. ....	90,000	18,000	90,000	....
J. E. Timberlake, v.p. ....	90,000	18,000	90,000	....

\*Ex. v.p. until May 1, 1960.

(A) Contingent credit to deferred rewards fund. As of March 1, 1961, the following shares of common stock of the corporation were contingently held in deferred rewards fund for accounts: Adams—2,383 shares; Beeghly—599 shares; Lawson—3,451 shares; Timberlake—3,392 shares. No incentive rewards were contingently credited in deferred rewards fund in 1959.

### National Steel Corp.

	(A)	(A)		(A)
George M. Humphrey, chmn. ....	\$120,000	....	\$125,000	....
Thomas E. Millsop, pres. ....	285,100	....	320,100	....
Paul E. Shroads, sr. v.p. ....	119,902	\$ 22,116	121,514	\$ 24,858

(A) Amount set aside or accrued for retirement benefits during last fiscal year.

### Republic Steel Corp.

C. M. White, chmn.* ....	\$346,680	....	\$375,570	....
T. F. Patton, pres. ....	250,000	....	258,833	....
E. R. Johnson, asst. pres. & 1st v.p.**	153,333	....	....	....
Norman W. Foy, v.p. ....	150,000	....	160,650	....

\*Retired Dec. 19, 1960.

\*\*V.p. until May 11, 1960.

### U.S. Steel Corp.

	(A)	(A)		(A)
Roger M. Blough, chmn. ....	\$283,333	\$ 11,333	\$265,300	\$ 10,000
Leslie B. Worthington, pres., chmn. exec. comm.* ....	258,333	10,333	114,000	4,500
Robert C. Tyson, chmn. fin. comm. ..	233,333	9,333	215,300	8,000

\*From Nov. 10, 1959.

(A) Savings fund plan.

## Tire and rubber

### Firestone Tire & Rubber Co.

(Fiscal year Oct. 31)

Harvey S. Firestone, Jr., chmn. ....	\$185,000	....	\$185,000	....
Lee R. Jackson, v. chmn. ....	150,000	....	150,000	....
Raymond C. Firestone, pres. ....	160,000	....	157,500	....
James E. Trainer, exec. v.p. ....	135,000	....	132,500	....

### General Tire & Rubber Co.

(Fiscal year Nov. 30)

	(A)	(A)		(A)
T. F. O'Neil, v. chmn.* ....	\$105,000	\$ 435	\$104,500	\$ 1,475
M. G. O'Neil, pres.**	105,000	430	74,000	1,450
L. A. McQueen, ex. v.p.***	97,000	1,070	101,500	3,600

\*V.p. in 1959.

\*\*V.p. and exec. asst. to pres. in 1959.

\*\*\*V.p. in 1959.

(A) Amount accrued during fiscal year under profit sharing plan.

### B. F. Goodrich Co.

J. W. Keener, pres. ....	\$151,667	....	\$140,000	....
A. Kelly, exec. v.p. ....	100,000	....	90,000	....



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Former Director, National Aeronautics and  
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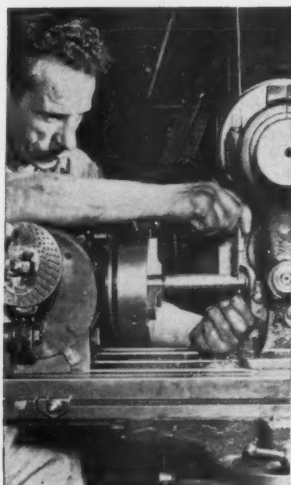
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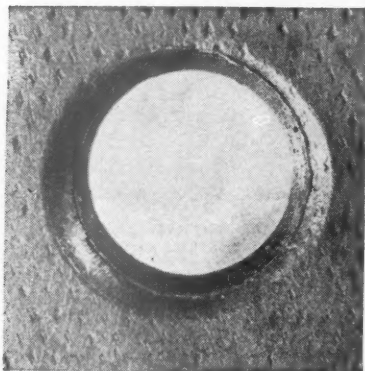
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### The answer to the question on page 79

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### Tire & rubber

#### Goodyear Tire & Rubber Co.

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
	(A)	(B)		(C)
E. J. Thomas, chmn. ....	\$195,217	3,047 s.	\$193,755	3,170 s.
P. E. H. Leroy, v. chmn.* ..	55,634	667 s.	142,636	2,100 s.
R. DeYoung, pres. ....	139,430	2,019 s.	127,339	1,942 s.
Victor Holt, Jr., ex. v.p. ....	93,977	1,142 s.	76,724	951 s.
Howard L. Hyde, ex. v.p.** ..	94,394	1,142 s.	83,545	1,030 s.

\*Retired May 1, 1960.

\*\*V.p. and gen. counsel to May 3, 1960.

(A) Includes amounts accrued for 1960 and paid in 1961 under key personnel incentive profit sharing plan.

(B) Deferred contingent remuneration for 1960 allotted in stock at \$36.625.

(C) Deferred contingent remuneration for 1959 allotted in stock, valued at market price of \$41 per share.

#### U.S. Rubber Co.

	(A)	(B)	(C)
H. E. Humphreys, Jr., chmn. ....	\$124,776	1,489 p.u.	\$142,518
John W. McGovern, pres.* ..	110,610	\$ 61,481	121,259
George R. Vila, pres.** ..	103,999	1,037 p.u.	\$ 31,889

\*Pres. to Oct. 31, 1960; since then member ex. comm. and director.

\*\*V.p. to Oct. 31, 1960.

(A) The management incentive plan adopted in 1959 provides for awards to employees in cash or in participation units or both. Each participation unit entitles an employee to receive cash payments equal to the cash dividends payable on one share of the company's common stock from the date of the award to age 85; if the employee dies before age 85, his successors in interest receive such payments until the date when he would have attained age 85. Awards of participation units may be accompanied by options for the purchase of common shares in amounts not to exceed three shares for each p.u. Participation units so awarded are subject to immediate cancellation upon the exercise of accompanying stock options. Accompanying the participation units, Humphreys received options for 4,467 shares; Vila, 3,111. In addition, under the company's bonus plan, Humphreys received options for 5,613 shares and Vila 5,139.

(B) Current remuneration includes salary payments and cash awards (other than deferred cash awards).

(C) Deferred contingent compensation.

### Tobacco

#### American Tobacco Co.

	(A)	(B)	(A)	(B)
Paul M. Hahn, pres. ....	\$204,859	\$ 24,164	\$207,901	\$ 87,901
John A. Crowe, sr. v.p. ....	142,887	16,797	145,321	70,320
A. LeRoy Janson, v.p. & comptroller ..	88,181	10,293	88,365	18,365

(A) Includes undeferred noncontingent portion of incentive compensation for year.

(B) Profit share paid to trustee. Deferred portion of incentive compensation accrued for 1957 and following years is payable to each participant in equal annual contingent installments during 10 years following the close of the year in which his employment by the company terminates. Commencing with the year 1960, Article XII provides for the reduction of the deferred portion of incentive compensation of each participant for any year by the amount of his profit sharing plan benefit for such year. The respective amounts of deferred incentive compensation, as thus reduced, accrued for 1960 for directors and officers referred to in the table and, in parentheses, the respective annual installments to be paid to them after termination of employment in respect of deferred incentive compensation accrued for 1957 and succeeding years are as follows: Hahn—\$60,694 (\$31,237); Crowe—\$51,090 (\$25,243); Janson—\$7,888 (\$5,103).

#### Liggett & Myers Tobacco Co.

	(A)	(B)	(A)	(A)
W. A. Blount, pres.* ..	\$ 70,000	\$ 26,000	\$ 58,000	\$131,484
L. D. Thompson, v.p.** ..	100,000	.....	42,000	27,880
W. L. Perry, v.p. ....	48,000	22,400	48,000	124,563
Zach Toms, v.p. & sec'y ..	48,000	22,400	48,000	124,563
L. W. Bruff, adv. dept. mgr. ....	80,000	.....	51,000	25,500

\*V.p. until Dec., 1959.

\*\*Elected Dec., 1959.

(A) Deferred compensation.

#### R. J. Reynolds Tobacco Co.

	(A)	(A)
Bowman Gray, chmn.* ..	\$160,000	\$ 23,705
H. S. Kirk, chmn. exec. comm. ....	115,000	17,038
A. H. Galloway, pres.** ..	92,083	13,642
F. G. Carter, pres.*** ..	50,769	7,522

\*Pres. until Oct., 1959.

\*\*Ex. v.p. until Oct., 1959.

\*\*\*V.p. until Oct., 1959. Died June 16, 1960.

(A) Amount credited for profit sharing trust.

### Transportation

#### American Airlines, Inc.

	(A)	(A)
C. R. Smith, pres. ....	\$ 85,000	\$ 83,400
William J. Hogan, exec. v.p. ....	71,389	68,683
O. M. Mosier, exec. v.p. ....	70,000	68,683
George A. Spater, exec. v.p. ....	60,000	.....

(A) The corporation has deferred contingent compensation agreements with eight officers under which they will receive after termination of service for not more than ten years the following annual compensation: Smith—\$16,000; Hogan—\$22,000; Mosier—\$13,000; Spater—\$15,000.

#### New York Central RR.

	(A)	(B)
Alfred E. Perlman, pres.* ..	\$113,787	\$131,861
Walter R. Grant, v.p. ....	66,223	65,693
John F. Nash, v.p. ....	62,996	62,462

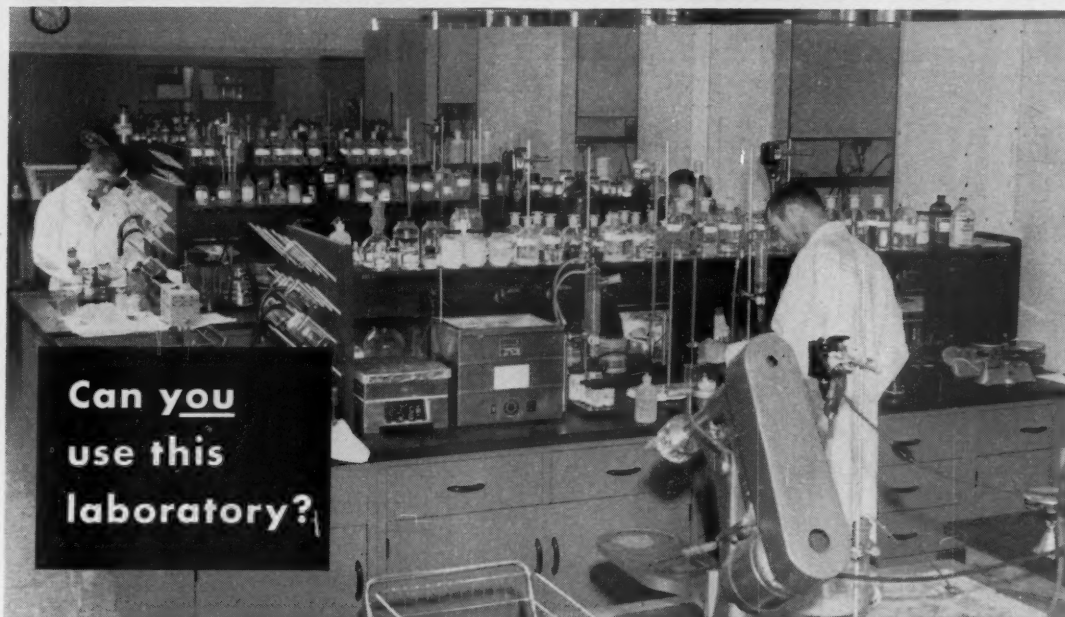
\*Perlman's employment contract, dated April 1, 1960, provides for annual compensation of \$100,000 until his normal retirement date on Nov. 30, 1967, and payments annually thereafter at \$50,000 for seven years and eight months.

(A) Includes fourth annual installment of bonus awards made in Jan. 1957, as follows: Perlman—\$4,576; Grant—\$2,762; Nash—\$2,525.

(B) Includes 3rd installment of bonus awards made in Jan., 1957, as follows: Perlman—\$4,461; Grant—\$2,692; and Nash—\$2,461.

# Nalco NEWS BRIEFS

Highlights of recent developments and applications of Nalco chemicals and services



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## Pretreatment for Cooling Water Systems: New Concept of Corrosion Prevention

New and freshly-cleaned cooling water systems have always been vulnerable to corrosion during the interval between cleaning and the application of corrosion inhibitor after start up of the system. Once corrosion sites form, inhibitors cannot effectively film over them, and spreading corrosion and fouling inevitably follow . . . leading to inefficiency, damage, cleaning and repairs. *Nalprep*® pretreatment chemicals were designed to remove organic and inorganic residue, prepare the metal to accept inhibitor and establish the initial protective film. They are recommended for use during hydrotesting, and immediately after cleaning, to prevent attack during any idle period before start up or following the cleaning process. In operation, regular maintenance dosage of a Nalco corrosion inhibitor will maintain effective protection. For further information, write for data on *Nalprep* Pretreatment Chemicals.

## Paper Mills Get Positive Control of Microorganisms with Organo-Sulfur Type Chemicals

*Nalcon*® organo-sulfur chemicals are new, powerful bactericides for positive microbiological control in paper mills . . . helping to make better paper at lower cost by preventing slime spots, breaks, and picking at calender rolls . . . increasing production and reducing downtime. Cleared by the U. S. Food and Drug Administration for slime control in the manufacture of food wrap, the *Nalcon* products kill microorganisms during the papermaking process, but are not retained in the finished paper.

In a different operation the *Nalcon* products have still another use for papermakers. They are effective as preservatives for paper coating slurries, glue solutions, and other fermentable chemical systems. And they work equally well under acid or alkaline conditions.

For more details, write today for Technical Data on *Nalcon* organo-sulfur microbiocides.

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### Transportation

	1960 Salary	Additional Compensation	1959 Salary	Additional Compensation
<b>Pan American World Airways, Inc.</b>	(A)	(B)		(C)
Juan T. Trippe, pres. ....	\$102,200	....	\$102,350	....
Roger Lewis, ex. v.p. ....	58,350	\$ 13,250	57,300	\$ 14,000
Harold E. Gray, ex. v.p. ....	57,950	13,250	56,500	14,000

(A) Includes amounts paid as contingent incentive compensation with respect to 1960 as follows: Lewis—\$16,750; Gray—\$16,750. Trippe has declined over the years to accept contingent compensation.  
(B) Additional contingent compensation conditionally allotted for payment near the end of 1961  
(C) Incentive compensation conditionally allotted.

<b>Pennsylvania RR.</b>		(A)		(B)
James M. Symes, chmn.*.....	\$122,244	1,430 units	\$129,850	1,419 units
Allen J. Greenough, pres.** ..	86,325	780 units	55,987	417 units
David C. Bevan, v.p. ....	81,028	470 units	68,930	512 units
James P. Newell, v.p. ....	79,868	470 units	75,608	609 units
Fred Carpi, v.p. ....	75,759	667 units	71,930	559 units

\*Pres. in 1959.

\*\*V.p. in 1959.

(A) Contingent compensation plan represented by units valued at \$24.92.

(B) Contingent compensation plan represented by units valued at \$24.80.

### Southern Pacific Co.

Donald J. Russell, pres. ....	\$140,275	....	\$140,275	....
George L. Buland, v.p. ....	72,800	....	70,375	....
W. G. Peoples, v.p. ....	65,417	....	....	....

### Trans World Airlines, Inc.

		(A)		(A)
Warren Lee Pierson, chmn. ....	\$ 64,821	\$ 6,403	\$ 64,822	....
Charles S. Thomas, pres.*.....	42,134	....	64,822	....
E. O. Cocke, sr. v.p. ....	45,528	4,433	44,765	\$ 5,000
A. V. Leslie, sr. v.p. ....	45,528	3,966	44,761	4,000

\*Resigned July 27, 1960.

(A) Incentive compensation plan.

### Union Pacific RR.

E. R. Harriman, chmn. ....	\$ 33,150	....	\$ 33,800	....
R. A. Lovett, chmn. exec. comm. ....	84,650	....	83,750	....
A. E. Stoddard, pres. ....	142,500	....	143,175	....
Elgin Hicks, exec. v.p. ....	78,900	....	76,750	....

### United Air Lines Inc.

W. A. Patterson, pres.*.....	\$100,000	....	\$ 100,000	....
J. A. Herlihy, sr. v.p. ....	58,000	....	55,000	....
D. F. Magarrell, sr. v.p. ....	58,000	....	55,000	....
Curtis Barkes, exec. v.p. ....	54,000	....	52,000	....
R. E. Johnson, sr. v.p. ....	54,000	....	52,000	....

\*Under employment contract, Patterson or persons designated by him will receive \$25,000 annually for ten years, following his retirement or death.

### Utilities

#### American Electric Power Co.

		(A)		(A)
Philip Sporn, pres. ....	\$129,240	\$ 4,646	\$129,660	\$ 2,795
Donald C. Cook, exec. v.p. ....	59,510	810	....	....
H. A. Kammer, exec. v.p. ....	54,560	947	....	....
W. J. Rose, v.p. ....	35,000	1,940	34,630	1,167

(A) Pursuant to provisions of key employee stock purchase plan, company paid a portion of the interest payable by each participant on bank loans made under the plan.

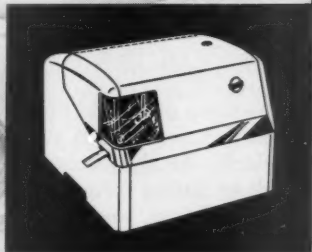
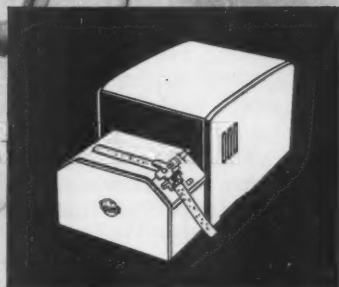
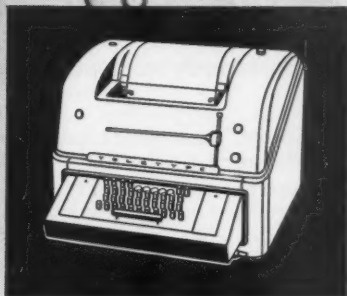
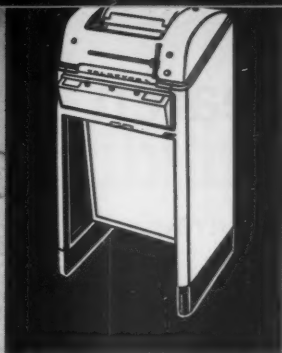
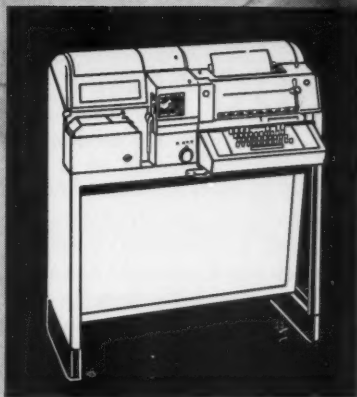
#### Consolidated Edison Co. of N. Y., Inc.

Harland C. Forbes, chmn. ....	\$153,080	....	\$142,663	....
Charles E. Eble, pres. ....	122,860	....	114,327	....
Otto W. Manz, Jr., exec. v.p. ....	80,220	....	76,073	....

#### Pacific Gas & Electric Co.

		(A)		(A)
James B. Black, chmn. ....	\$126,400	....	\$125,100	....
N. R. Sutherland, pres. ....	153,233	120 s.	142,600	50 s.
Robert H. Gerdes, ex. v.p. ....	104,617	81 s.	98,167	34 s.

(A) Shares of common stock attributable to company's contributions under savings fund plan.



## Teletype equipment in Data-Phone service

All Teletype sending and receiving equipment—page printers, tape punches and tape readers—can be used in Data-Phone service, the new Bell System method of data transmission via regular telephone lines.

Data can be speeded over local or long distance lines—to a single destination or to several destinations simultaneously. The data can be received on plain message paper . . . punched paper tape . . . or marginally perforated business forms of almost any size. And always there is a "home record" of what is sent.

Significant paper work simplification and time savings can be achieved in handling accounting and billing information, inventories, payrolls, invoices, sales orders, ticket pick-up and numerous other kinds of business detail. If desired, punched tape can be obtained as a by-product of both sending and receiving operations, for later use with business machines.

A growing number of firms are already using Teletype equipment over Data-Phone circuits. For example, companies that purchase large quantities of airline space place orders by phone, then receive tickets on Teletype printers right in their own offices. With this method, tickets are received faster, messenger service is eliminated, and records for accounting purposes are automatically provided.

Teletype Corporation manufactures page printers and tape units such as the Model 28 equipment illustrated above for the Bell System and others who require the utmost reliability from their data communications facilities.

If you would like to investigate the advantages of Teletype equipment for your business, write to Teletype Corporation, Dept. 14-E, 5555 Touhy Avenue, Skokie, Illinois.

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More news about research:

Page 101

The search for organic semiconductors

## Mass firing of rockets brings record yield of stratosphere data

In a continuing effort to gain more knowledge about the weather, the U.S. last week successfully fired a record 24 solid-fuel rockets high above the Gulf of Mexico. The "one-an-hour" firing schedule produced the greatest amount ever of continuous stratospheric meteorological data, taken from 16 to 45 miles above the earth's surface.

The first of the slender (4.5-in.) eight-foot Arcas/Robin rockets was sent aloft with its 8.5-lb. meteorological payload from Santa Rosa Island at 6:30 p.m. on Tuesday, May 9. From then on, an identical rocket was launched once every 60 minutes.

At an altitude of 45 miles, each rocket automatically ejected its tiny balloon payload. Radar was then used to track the balloons as they slowly fell back toward the earth.

The Arcas/Robin system, developed originally under an Office of Naval Research contract, is designed as an all-purpose meteorological vehicle. In this series of firings, its mission was twofold: to gather information on upper-atmosphere weather conditions, and to test its capability as an operational rocketsonde system for U.S. weather personnel.

On both counts the Arcas/Robin seems to have proved itself thoroughly reliable.

Its next test will be a series of 100 firings, with each rocket carrying a modified payload. This "package" not only will be able to make weather observations, but it will also be able to telemeter data back to earth. Arcas/Robin can climb (with payload) to a top altitude of 300,000 ft. (approximately 60 miles). Its solid propellant is made by Atlantic Research Corp. of Alexandria, Va.

## Computer munches phonetic symbols, creates synthetic speech

A "speaking machine" instructed by computer cards punched with phonetic symbols was the hit of the Acoustical Society of America technical meeting in Philadelphia last week.

The technique, developed by Bell Telephone Laboratories, Inc., uses a computer programed with nine qualities of speech. The punch cards—one for each phonetic sound—are then fed through the machine; the output, on digital magnetic tape, is then converted to a variable magnetic sound track just like those played on ordinary tape recorders. Bell claims that,

while the idea of a "speaking machine" is hundreds of years old, this is the first time where the feed-in is a simple keyboard technique, easily learned by a non-technical operator.

The developers of the synthetic speech system, Dr. John L. Kelly, Jr., and Louis J. Gerstman, insist that their interest is pure research—to learn more about the qualities of sound. They have found, for instance, that the "F" sound produces less friction than a "th." But Bell Labs is already thinking of possible commercial applications of the technique—a system where an operator could type at a keyboard in one place and cause a machine thousands of miles distant to talk for him at far less than the cost of a phone call.

## Blood pressure measured in the arm called dangerously misleading

Standard blood pressure measurements taken in the arm may be of limited clinical significance, says Dr. Sidney Roston of the University of Louisville School of Medicine.

Roston argues that mathematical analysis of the cardiovascular system reveals that blood pressure in the arm may be completely independent of blood pressure in the aorta—the major vascular trunk through which the heart pumps blood through the arterial system. Hence the arm may be a completely unreliable indicator of blood pressure at critical organs of the body—the heart, the brain, and the kidneys. Especially in the case of sufferers from arteriosclerosis, it may lead to a dangerously incorrect diagnosis.

Roston's research, described to a meeting on the Mathematical Theories of Biological Phenomena held in New York last week, is pointing in another interesting direction, too. There's mathematical evidence, he believes, to support the theory that the aorta may protect the heart by actually reducing the drain on its energy. When the heart contracts, blood is forced into the ascending aorta and stored there. When the heart expands, the walls of the ascending aorta contract and pass blood on to the descending aorta.

This system works well to relieve the heart of some of its work load as long as the walls of the aorta remain elastic. When they lose their elasticity, however, the heart has to take over more of the pumping job itself.

Roston's theory seems to indicate that the condition of the walls of the ascending aorta may well be an important check-point in the control of heart attacks.

It's clearly evident, in this and other modern-day approaches to biological problems, that traditional biology—largely an empirical science—is being transformed into an exact science whose data can be manipulated within mathematical "laws."

This, according to Dr. J. H. Woodger, of the University of London, could prove to be the most important scientific development of the decade. Use of the axiomatic method should do as much for biology as it has for physics.

# They open vast new possibilities

**The first trick is to produce them with the desired electrical properties. Success may be getting closer**

**Semiconductors of carbon compounds should be cheaper, more readily tailored to the needs of industry**

**Unlike inorganic materials, they have in theory no limits on what they can be made to do in future electronics**

Up to two years ago, research in the fast-growing semiconductor industry (BW—Mar.26'60,p74) was focused on inorganic materials such as silicon, germanium, selenium, and copper oxide. Then the search for new, more useful semiconductor materials opened up into a bright, wide field—the organic materials, among which there are millions of carbon compounds.

Today, more than 30 companies are investigating possibilities of organic semiconductors, and a meeting in Chicago a few weeks ago drew representatives from 250 companies that wanted to know what is going on in this new field. E. I. du Pont de Nemours & Co. alone is said to have 40 top-drawer researchers working toward organic semiconductors, and many other companies are scurrying to get research started as quickly as possible.

**Why the excitement?** Inorganic semiconductors have been moving fast in the last 10 years; transistors, for example, are in everyday use. They have by no means exhausted their potential. However, the future of semiconductors as a whole may be broadened considerably by the organic semiconductors, if these can be developed for commercial use. That's what the scientific community finds so exciting.

In developing an inorganic semiconductor, the researcher looks for the material that's the best compromise among the qualities he seeks. For some uses, silicon may be best; for others, selenium or germanium. Yet none may have the ideal combination of properties—physical, chemical, electrical—and there is little the researcher can do about the drawbacks that remain except to design around them.

Organic chemistry, on the other

hand, is so thoroughly developed that scientists can manipulate the molecules to produce a tremendously varied combination of properties. Discovery of effective semiconductors in this field would, therefore, open up a whole new body of knowledge, vast new possibilities for the semiconductor industry.

**Doing more jobs.** The function of a semiconductor is to control the flow of electricity. A conductor is like an open pipe—whatever you put in at one end comes out the other; a semiconductor is like a pipe with a valve in it (a vacuum tube in a radio or TV set does a similar job and, in England, is still called a valve).

The trick is to get a material that will release the flow of electricity in response to outside stimulus. Crystals and sandwiches of inorganic materials will do this; in theory, organic materials will do it, too. Researchers still aren't sure how to synthesize such materials, but they are now ready to predict that it can be done.

Organic semiconductors on a commercial scale could be custom-built for many jobs considered difficult or impossible for their inorganic counterparts. Their molecular structure could be tailored to eliminate practically all inherent limitations, and they would be cheaper, easier to make, less variable in quality.

From heat pumps (heating or cooling by electric current, with no moving parts) to solar batteries inexpensive enough for the home, there seems practically no end to the number of uses for organic semiconductors.

**Superior properties.** Physical properties of inorganic substances are next to impossible to change, in contrast to the ease with which the

plastics industry, for example, concocts materials to specification. This alone opens new uses to the organic materials.

In considering the use of semiconductors in thermoelectric devices, for instance, engineers have been discouraged by the difficulty of making large-area junctions out of inorganic crystals that are tiny. The amount of energy that can be passed across such a junction largely determines how efficient a converter is. So the availability of an organic semiconductor material in, say, sheet form would vastly increase the effectiveness of the converter.

The bigger crystals of organic materials also offer superior mechanical properties. They can be bent, stretched, molded, made into fiber or film; inorganic crystals must be produced at high temperatures, are prone to collect undesirable impurities, and are difficult to shape or machine.

**Learning the ABCs.** With all their enthusiasm over the possibilities of organic semiconductors, researchers are hard-headed enough to confess that major problems still remain before these devices are a commercial fact.

Chief among these problems is the fact that nobody yet knows for sure how an organic material carries electricity, how the movement of electrons is related to the physical-chemical structure of the material, and how these factors may differ from one substance to another. They do know that the answers probably won't be the same as in inorganic semiconductors—and those took a long time to work out.

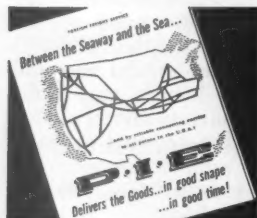
Progress is being made, though. At the industry conference on organic semiconductors held in Chicago last month, two papers from very different sources cast a surprising amount of light on one class of materials: the organic molecular crystals, specifically of anthracene (an important source of dyes).

From du Pont, a major producer of organic chemicals, came a precise record of anthracene's electrical

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properties, analyzed and reported by R.G. Kepler. And from General Electric Co., which is interested in its electrical performance, came a report by O.H. LeBlanc, Jr., suggesting a theory of why anthracene exhibits such properties.

"It was a surprise to all of us that this much is known so early," says Dr. James J. Brophy, assistant director of physics research at Armour Research Foundation. "It doesn't mean that the field is well understood yet, but it is encouraging that researchers, in only a few short years of effort, have as clear an understanding of where they're heading as they do."

**Electronics companies, too.** The chemical companies naturally have the greatest excitement about organic semiconductor possibilities—if the organics work out, they would have a natural production advantage over the companies that specialize in the trick of making semiconductors from inorganic materials. But electronics companies are also working in the field.

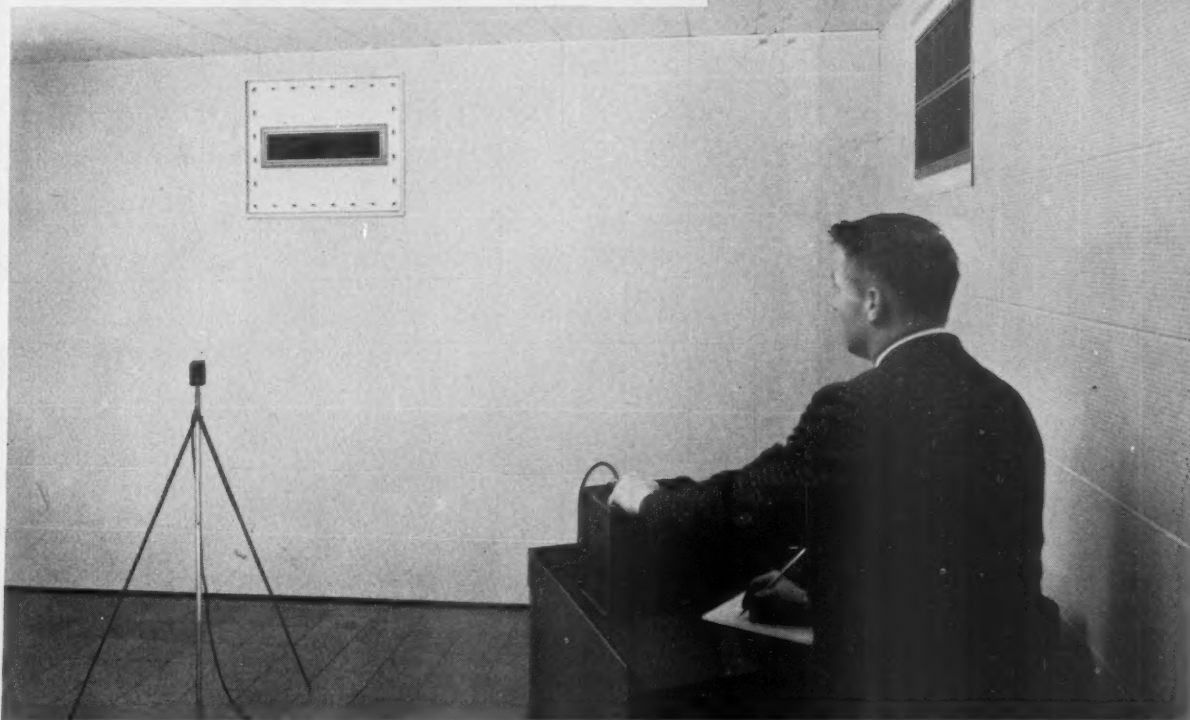
Researchers at Raytheon Co., for example, are studying pyrolytic graphite as one candidate for semiconductor uses. This form of graphite has the faculty of conducting energy, heat or electricity, better along one of its surfaces than along another. The ratio is about 500 to 1 for heat, up to 3,000 to 1 for electricity. Thus, it might provide a "channel" for a stream of electrons.

Pyrolytic graphite is inexpensive, doesn't decompose even at very high temperatures, and doesn't pick up moisture, as many other organic materials do. Raytheon is also studying pyrolyzed carbon as a possibly useful material for resistors.

**Values for everyone.** Chemical companies have a further reason for interest in development of organic semiconductors, aside from the obvious new market. That is the bearing of the new knowledge on their current products. For example, explanation of why some of the plastics, such as nylon, pick up a charge of static electricity would in itself be a discovery of great commercial importance.

However, the big hope of researchers in the organic semiconductor field is, of course, the development of a big-volume market in electronics. Most market forecasts for 1965-70 put sales of semiconductor materials between \$35-million and \$40-million a year, and the adoption of organic semiconductors for such major uses as thermoelectric devices would throw a huge market their way. **End**

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### "Auditioning" air to create more productive environments

Introduction of conditioned air into a room creates a sound which can be an asset or a liability to the environment, depending upon its intensity and pitch.

If the sound level is too low, the normal "doing-business" noises may prove distracting. But, if the sound of the air itself is objectionable, it will create an unpleasant environment for employees or customers.

To insure ideal auditory environments, engi-

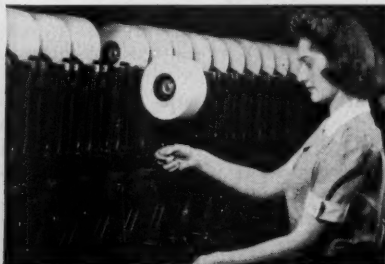
neers at Barber-Colman work with the frequency of sound as well as the intensity, just as architects work with the frequency of light (color) as well as brilliance. This makes it possible for Barber-Colman to publish complete noise criteria for all of its air diffusers.

Thus, the ideal acoustical environment can be provided for any situation — another example of how Barber-Colman originality benefits the businesses it serves.

## **BARBER-COLMAN** ROCKFORD, ILLINOIS

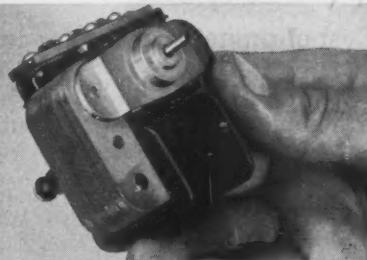
...where originality works for you

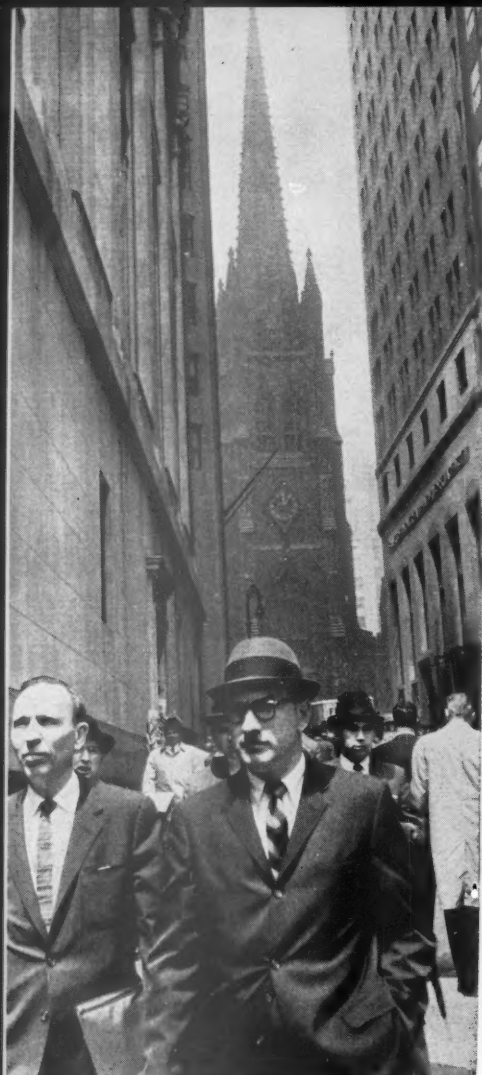
OVERdoors . . . Small Motors . . . Electrical Components . . . Molded Plastics  
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◀ **ORIGINATOR** of a device (part of this machine) for automatically tying weaver's knots—an important advance in the efficiency of textile manufacturing.

**ORIGINATOR** of reversible shaded pole motors, which make possible reliable, accurate control systems at low cost for many purposes. ▶





Company finance men start week-long "inside" study of Wall Street.



After day-long working tours, recapitulation sessions in Irving Trust Co.'s board room often run to 11 p.m. On first day, executives saw how securities are rated.

## FINANCE

# Finance men get new angle

**Cost-of-capital yardstick for corporate financial decisions is key point in Irving Trust Co.'s seminar for executives—one of eight it puts on each year**

When a group of 14 top corporate financial executives descended last week on New York's Irving Trust Co.

(pictures), it was a case of the mountains coming to Mohammed. Normally, representatives of major

New York banks tour the country calling on corporations. But Irving invites corporate officials to Wall Street for five days of study in the heart of the financial community.

Ever since 1947 Irving has been running seminars for finance men. These meetings are not devoted to fun and games but to an intensive briefing on the finer points of finance, including an analysis of the cost of capital—the pet subject of John F. Childs, an Irving vice-president and originator of the seminars.

**Key men.** Irving has no trouble getting busy executives to attend. For finance has become a major corporate problem, and the corporate finance man is no longer just the guardian of the purse strings but a key figure in planning and policy-making.

According to Joseph Morse, vice-president of Sun Chemical Corp.:



Irving Trust's John F. Childs (right), founder of seminars, gets close attention of "student" executives as he explains cost of capital and its basic importance.



At Stone & Webster Service Corp., seminar session goes over a sample long-term financing plan; sessions and tours cover all areas of corporate finance.

"The emphasis in top management today is no longer purely sales or production. In the average corporation the chief executive probably spends more time with the finance man than with any other executive. . . . The finance executive is the one who has to decide which one of a number of competing proposals will give the maximum return for a company's limited supply of capital."

Irving's seminars are designed to exploit the new and enhanced role of the financial officer. As Childs sees it, the corporate finance man has three main tasks: (1) formulating sound financial policies for raising and managing long-term capital; (2) building up good relations with present and prospective investors; and (3) establishing adequate profit goals based on an understanding of the cost of capital. This he defines as what it costs a company to give in-

vestors in all types of securities what they expect by way of return so the company can continue to grow by attracting capital.

**Expanding.** When the sessions began in 1947, they were condensed, one-day affairs aimed at familiarizing finance men in newly independent operating utility companies with the ins and outs of the capital market, a task that had been handled until then by their holding company parents. In the mid-1950s, Irving extended the sessions to the current five days, and invited industrial money men as well.

From Irving's viewpoint, the seminars are a good business promotion. This is recognized by those who come to the sessions, but they still clamor for invitations. Irving, one of the few banks still devoted almost exclusively to wholesaling—dealing with big business clients—has had to

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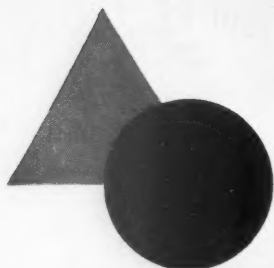
'Buffalo' Machine Tools to drill, punch,  
shear, bend, slit, notch and cope for  
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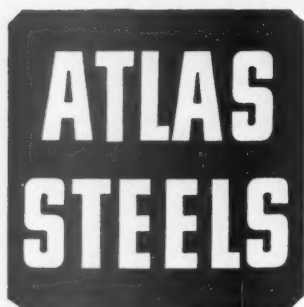
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At Federal Reserve gold vaults, executives discuss money movements.

expand its seminars to meet demand.

It now runs about eight separate seminars a year: three for utilities, three for industrial companies, and two for department stores. In all cases, Childs has set up a punishing 9 a.m. to 11 p.m. schedule that covers all areas of corporate finance. Each group takes a working tour of Wall Street's institutions, but the main feature is a day-long session on the cost of capital.

### I. Basic yardstick

Figuring out the cost of capital is not an entirely new concept. It has been used, for example, by utilities in applying for rate changes. But Childs' presentation is new to many industrial companies, and some quarrel with his stiff requirements for measuring just how much capital does cost. Still a growing number of companies—Allied Chemical, American Radiator & Standard Sanitary, Federated Department Stores—are now using his formula.

Childs feels it is an essential yardstick for corporate decision-making, particularly in determining whether to expand or diversify. The basic idea is to figure out the minimum a venture must earn to compensate existing investors and enable a company to attract new funds for future expansion at favorable rates.

Most companies have expanded on the basis of some arbitrarily set profit goals—such as a specific percentage return on plant and equipment, or a certain profit margin on sales—or simply because they wanted to put excess cash to work.

**Help against pitfalls.** Childs points to some real pitfalls. For example, a

company sees an opportunity for a 12% after-tax return by investing in a new chemical project. Others in the industry are getting only 10%. Should it go ahead? On the surface, the answer is yes. But if it has to pay 14% for its capital, the new project wouldn't really give the company an adequate return.

Or take the case of a department store chain considering a new branch. The return on investment would only be 10%, while other stores in the chain average a 13% return. It looks as though the company shouldn't go ahead. But if its cost of capital is only 8%, Childs feels it would be passing up a good deal.

### II. What it is

It's not easy, though, to calculate the cost of capital. Childs defines it as the "over-all net cost to a company to provide the return on all types of securities which investors require or anticipate to induce them to provide capital . . ."

This includes figuring the over-all cost of a company's capital structure—the yield on its bonds, dividends on preferred stock, and anticipated earnings on common stock.

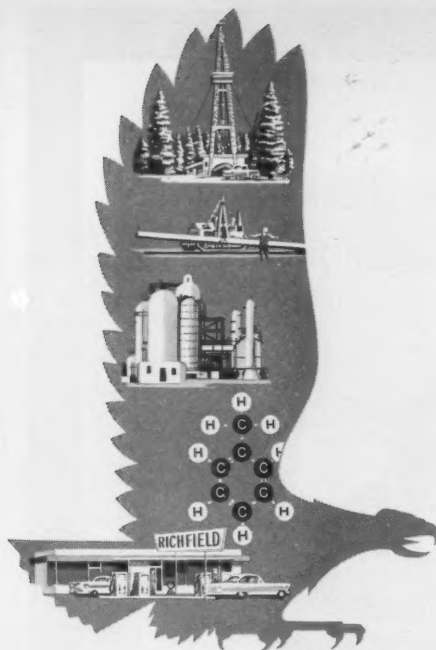
Childs feels that making these calculations throws light on three factors often overlooked by management in making expansion plans:

1. The true cost of capital for a new venture is the cost rate of all the capital employed by the company, not what must be paid to raise the funds for the particular project. Each project should earn enough to clear this over-all cost rate, not merely its own financing charges. Otherwise, an expansion financed by debt securities would only have to earn enough to cover a bit above interest requirements. But an expansion financed by common stock would have to earn far more, to allow for taxes, dividends, and retained earnings in keeping with company policy.

2. Retained earnings should not be considered "free capital." Childs argues that when a company retains earnings, it merely reinvests them for stockholders, instead of paying them out and then having to raise the funds it needs by selling new stock. So retained earnings must be counted in a company's capital structure in figuring cost of capital.

3. The cost of equity capital must be calculated in terms of anticipated earnings, not current earnings or dividends. That's because investors buy common stocks in terms of expectations.

**Objections.** Many financial men feel that other, more popular yardsticks, and other ways of measuring



## RICHFIELD REPORTS 1960

Consolidated net income for 1960 was \$28,720,000 (\$7.11 per share), as compared to \$28,058,000 (\$6.95 per share) for 1959.

In 1960, Richfield established record highs for crude production, refinery runs, pipe line and marine terminal throughput, petrochemical sales, and refined product sales. During the last quarter of 1960, average gross crude production exceeded 100,000 barrels per day.

A significant new extension of the Swanson River Field in Alaska was made during the year and a pipe line was

completed from the Field to a deep-water terminal. By early 1961, production from this joint venture was approximately 10,000 barrels per day from 20 wells.

Net sales and other operating revenue amounted to \$288,960,000 in 1960, as compared to \$269,932,000 for the preceding year. The ratio of current assets to current liabilities at the end of the year was 4.2 to 1.

For the 24th consecutive year, Richfield paid cash dividends which have amounted to \$3.50 per share in each of the past ten years.

### CONSOLIDATED BALANCE SHEET AT DECEMBER 31

	1960	1959
<b>Assets</b>		
Cash and Government securities .....	\$ 54,659,931	\$ 58,644,991
Accounts receivable (net) ..	55,296,138	47,721,085
Inventories .....	44,739,484	43,781,133
Investments and advances (net) .....	14,304,586	16,446,116
Properties, plant and equipment (net) .....	257,649,284	248,489,804
Deferred charges .....	7,240,316	7,241,511
	<u>\$433,889,739</u>	<u>\$422,324,640</u>

### Liabilities and Capital

Current liabilities .....	\$ 36,818,444	\$ 35,742,346
Long term debt .....	136,402,868	140,511,901
Stockholders' equity:		
Capital stock .....	77,417,027	77,402,164
Earnings employed in the business .....	183,251,400	168,668,229
	<u>\$433,889,739</u>	<u>\$422,324,640</u>

### CONSOLIDATED INCOME ACCOUNT FOR THE YEARS

	1960	1959
<b>Income:</b>		
Sales and other income ..	\$371,447,694	\$344,577,091
Less gasoline and oil taxes ..	79,108,883	72,147,874
	<u>\$292,338,811</u>	<u>\$272,429,217</u>
<b>Deductions:</b>		
Costs, operating and general expenses .....	191,038,445	182,275,783
Taxes, including income taxes .....	27,729,157	20,633,433
Other deductions .....	44,851,273	41,461,897
Net income .....	<u>\$ 28,719,936</u>	<u>\$ 28,058,104</u>
Net income per share* *on average shares outstanding	<u>\$7.11</u>	<u>\$6.95</u>

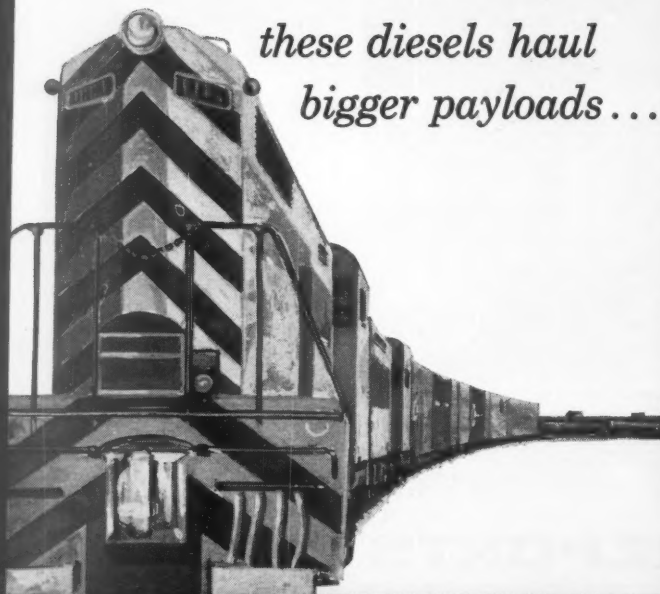
OPERATING STATISTICS — BARRELS	1960	1959
Production of Crude oil—gross		
Western Hemisphere .....	31,031,000	29,027,000
Eastern Hemisphere .....	4,415,000	3,947,000
Production of crude oil—net		
Western Hemisphere .....	24,175,000	22,886,000
Eastern Hemisphere .....	3,863,000	3,454,000
Crude oil processed at refinery .....	54,289,000	50,302,000
Sales of refined products ..	52,258,000	47,733,000

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1960 Annual Report  
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Richfield Oil Corporation,  
555 South Flower Street,  
Los Angeles 17, California



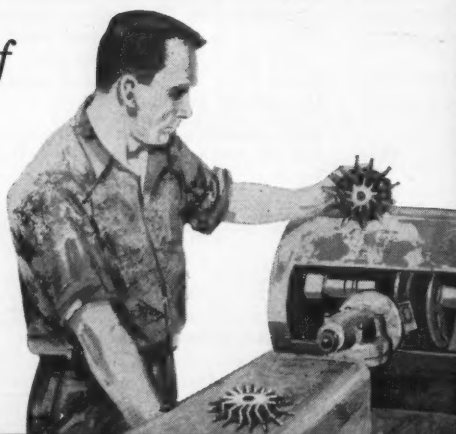
### RICHFIELD OIL CORPORATION

Executive offices: 555 South Flower Street, Los Angeles 17, California



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capital cost, serve just as well. H. E. Nylund, treasurer of Crown Zellerbach Corp. and a student at last week's seminar, argues that "the cost of capital is developed from the right-hand side of the balance sheet. You can also use the left-hand side—return on plant and equipment."

But Childs maintains that his cost of capital concept is a goal that must be met, not just another way to measure what return a venture will provide.

**Perils of neglect.** Childs says that many companies are expanding unwisely with what amounts to a dissipation of capital. This type of spending usually means that new funds cost more than they should, and eventually makes it difficult to raise new funds except at exorbitant rates.

If a company has a large capital investment, its plight may be disguised for a long period. But Childs says that any company that is spending too much capital will finally have to face up to a drop in the price of its stock and a lowering of the rating on its bonds.

Once the pattern is set, moreover, it becomes extremely hard to reverse, particularly if new funds have been poured in continuously on an unprofitable basis. For example, the textile industry hasn't been earning its cost of capital, yet it has continued to expand as business has deteriorated. According to Donald K. Evans, treasurer of Riegel Texile Corp., who attended the seminar, "If most companies in the industry had an idea of the cost of capital, we wouldn't be in the state we're in today."

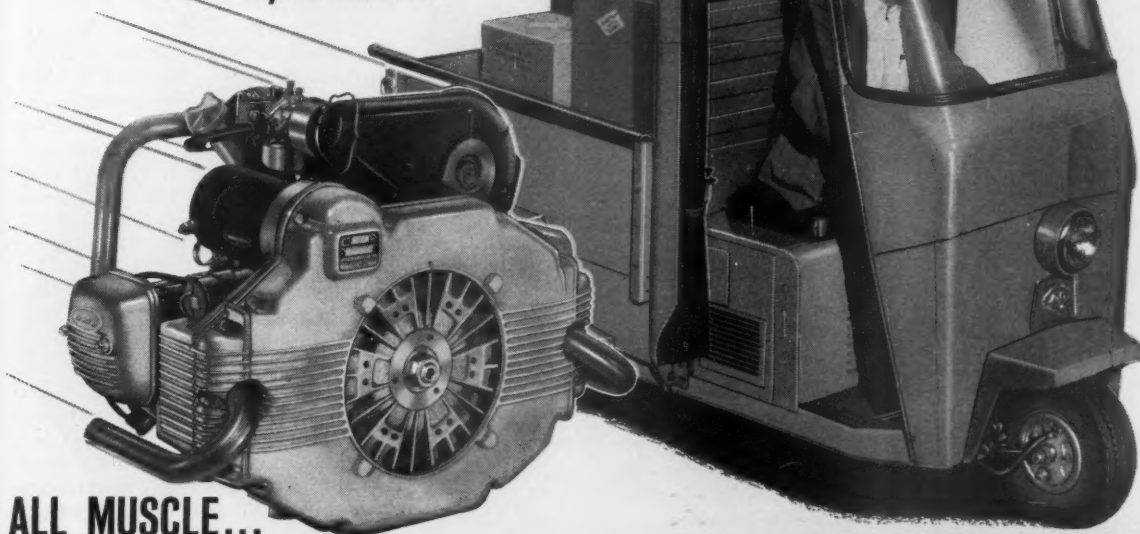
### III. How you figure it

The weakness of the concept—one which Childs himself admits—lies in the actual calculation of the cost of capital. He starts with two assumptions. First, to give a true picture of how investors view the company over a representative period of time, it's necessary to make a computation involving capital structure ratios, yields on bonds and preferreds of issues of similar quality, and anticipated earnings on common stock in relation to current market price. This is usually figured on a five-year or 10-year basis.

This calculation gives a capital cost figure that can then be compared with anticipated return on investment. But all the returns on the theoretical proceeds to the company should be discounted to allow for financing costs, underwriters' fees, and the like, because the calculations are supposed to reflect what the financing would have cost.

**Calculation.** Childs gives this ex-

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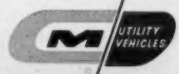
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#### ON-THE-STREET OPERATION

Blue print company in Texas, using Truckster for deliveries, reports operating cost of 0.93 cent per mile; maintenance cost of 0.73 cent per mile.

#### IN-PLANT OPERATION

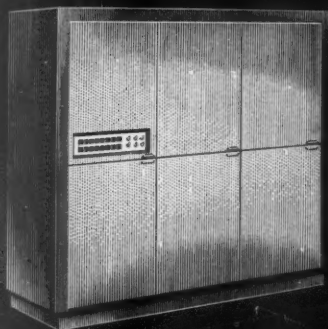
Shipyards in Connecticut, using three Trucksters for movement of tools and equipment, reports 1.3 cents per mile operating cost; only routine maintenance.

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ample. A food company has an average capital structure of 20% debt, 5% preferred, and 75% common. The average net yield to maturity on all the new issues of food company bonds with similar AA ratings over a 10-year period is 5%. The cost of the bonds is then 5% times 20%—the bonds' share of the total—or 1%.

The average yield of similar preferreds in the same period is 5½%. So the cost of the preferred is 5½% times 5%, or .275%. The average ratio of the earnings on the common (based on expected earnings over the next five years) to current market price comes to 12%; 12% times 75% gives the common a cost of 9%.

Adding the three together, you get a cost of capital of 10.275%.

**Holes.** The accuracy of the figures is more apparent than real, however. The relationship of the company's yields to yields on similar bonds and preferreds is an approximation. And the relation of its expected earnings to current market price at best is a rough guess of what investors expect. On the basis of the five-year anticipation of earnings called for in these calculations, the last earnings-market price measure that has been backed up by actual earnings is in terms of 1955 market value.

The measurements of expected returns, which must be weighed against the cost of capital, also are error-prone. A company may miss in estimating the size of a market, the strength of its competition, or the impact of a technological change.

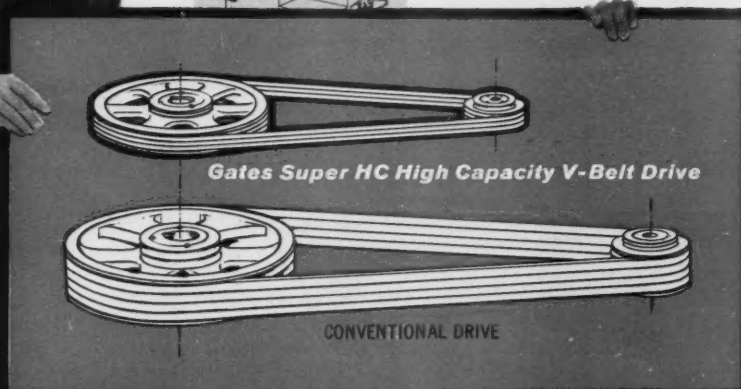
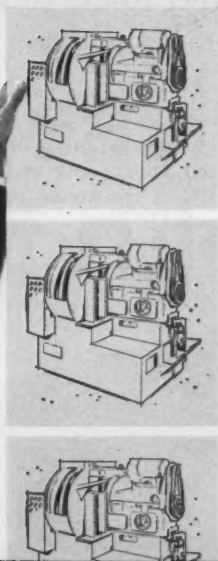
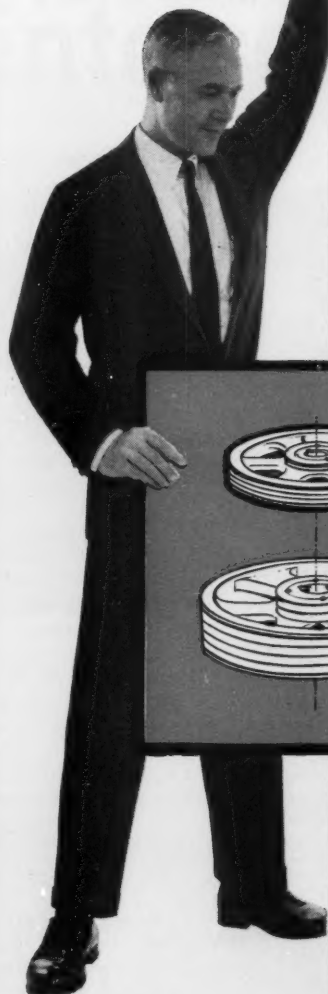
**Does it work?** One ex-student says frankly: "It's a good concept but it just doesn't work in practice."

This charge is levied particularly in the case of growth companies, or of companies whose share prices are influenced by large unused oil or mineral reserves. As Morse of Sun Chemical says: "How can you calculate the cost of capital for IBM? How do you know what investors expect?"

Childs is ready to admit these are real difficulties. But he emphasizes that what's important in the theory is not the precise calculations, but the fact that management must learn just how costly capital can be, and then learn to use it prudently.

The biggest difficulty with the cost-of-capital concept is selling it to management. One finance man says: "I've just gotten the idea of return on investment over in my company; they won't stand still for another complicated concept." Another cites the same difficulty in selling the rest of management, but is more optimistic for the long run. "Cost of capital today is where return on investment was 12 years ago. But it's the coming thing." **End**

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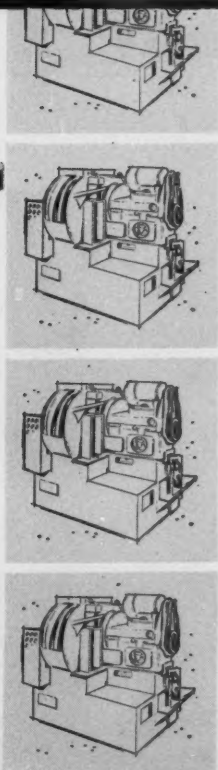
The Gates Rubber Company, Denver 17, Colorado

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GP-98



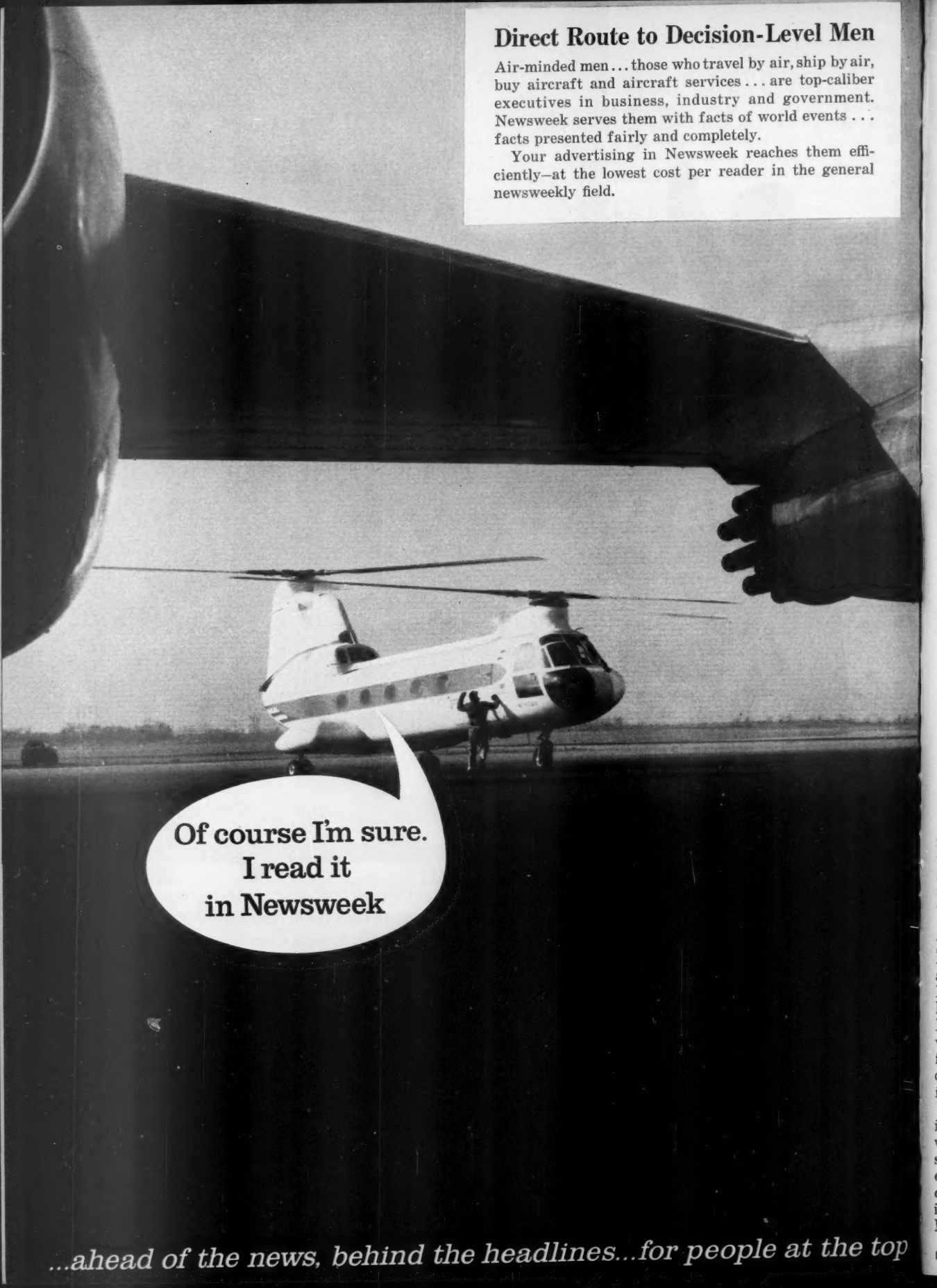
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# Kuwait easing into self rule

**Tiny oil-rich sheikdom is making a peaceful transition from a British protectorate to independence.**

**Chances are it will retain some ties with Britain**

In a far-off corner of the world, the tiny oil-rich Sheikdom of Kuwait is moving quietly toward independence—and doing it without making headlines.

After decades of life as a British protectorate, Kuwait gradually is assuming full control of its own internal and external affairs. It has come without bloody revolutions such as those that swirled through Iraq, or involvement in the cold war, like some of the new African nations.

**Looser ties.** Because of this transition, the present agreement between Britain and Kuwait, signed in 1899, is outdated. There are rumors a new agreement regulating the relationship between the two is on the way.

Although particulars are not known, it is expected that the agreement will acknowledge that Kuwait has full control over its internal affairs, and make it officially clear that Kuwait is now free to conduct its own foreign relations.

Further speculation is that economic ties will remain but will be much looser than before. There is some talk about the possibility of membership in the British Commonwealth.

Moreover, any new agreement probably will include a defense pact. Kuwait's neighbors, Iran and Iraq, are itching to get their hands on Kuwait's fabulous oil income. They haven't moved yet because they fear British opposition. In turn, Britain wants to be sure that nothing interferes with its major supply of crude oil, or interrupts Kuwait's move to independence.

**Little package, big prize.** Kuwait's importance to Britain and to the world is out of all proportion to its size, which is slightly larger than that of Connecticut. It has the most productive oil wells in the world, making it the biggest producer in the Middle East. Production last year

was 80.6-million long tons, and is on the increase. It reached its peak of 2.2-million bbl. daily this March and is now running at 1.8-million bbl. a day. Its oil revenues in 1960 were \$400-million, more than those of each of its far larger neighbors—Saudi Arabia, Iraq, and Iran.

Such wealth gives it great influence in the Arab world and Kuwait's peaceful development may have a stabilizing effect on that whole area. Moreover, Kuwait is becoming an exporter of capital, particularly to industrialized countries. This is making Kuwait even more influential.

**Architects.** Kuwait's peaceful transition to independence is due in part to its postwar oil wealth and to its small size. But these factors alone couldn't have turned the trick.

Much of the credit goes to the ruling sheiks and to the city merchants who act as their advisers. As early seafaring traders of the Indian Ocean, Kuwaitis have a mercantile tradition that has made them shrewd and cautious. Although they are no less nationalistic than fellow Arabs in Baghdad, Riyadh, or Cairo, they pursue the nationalist goal slowly and carefully with a minimum of emotionalism.

More important, the Kuwaiti rulers—unlike some of their neighbors—have spread the wealth, instead of spending it on their own palaces and Cadillacs. Ruler Sheikh Abdullah al-Salem al-Sabah (picture, right) set up a welfare state even before setting up a sovereign state. Kuwaitis don't pay taxes, get free education, free medical care, and free public utilities. Spending has been lavish on public works, housing, hospitals, schools, and urban projects.

**Historic relations.** The British also must get some credit for Kuwait's coming of age. As the Kuwaitis became wealthier and more independence-minded, the British unob-



**Sheik Abdullah al-Salem al-Sabah** is ruler of Kuwait, oil-rich Middle Eastern country. Standing behind him is Saudi Arabian Oil Minister Tariki.



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trusively granted them more and more independence.

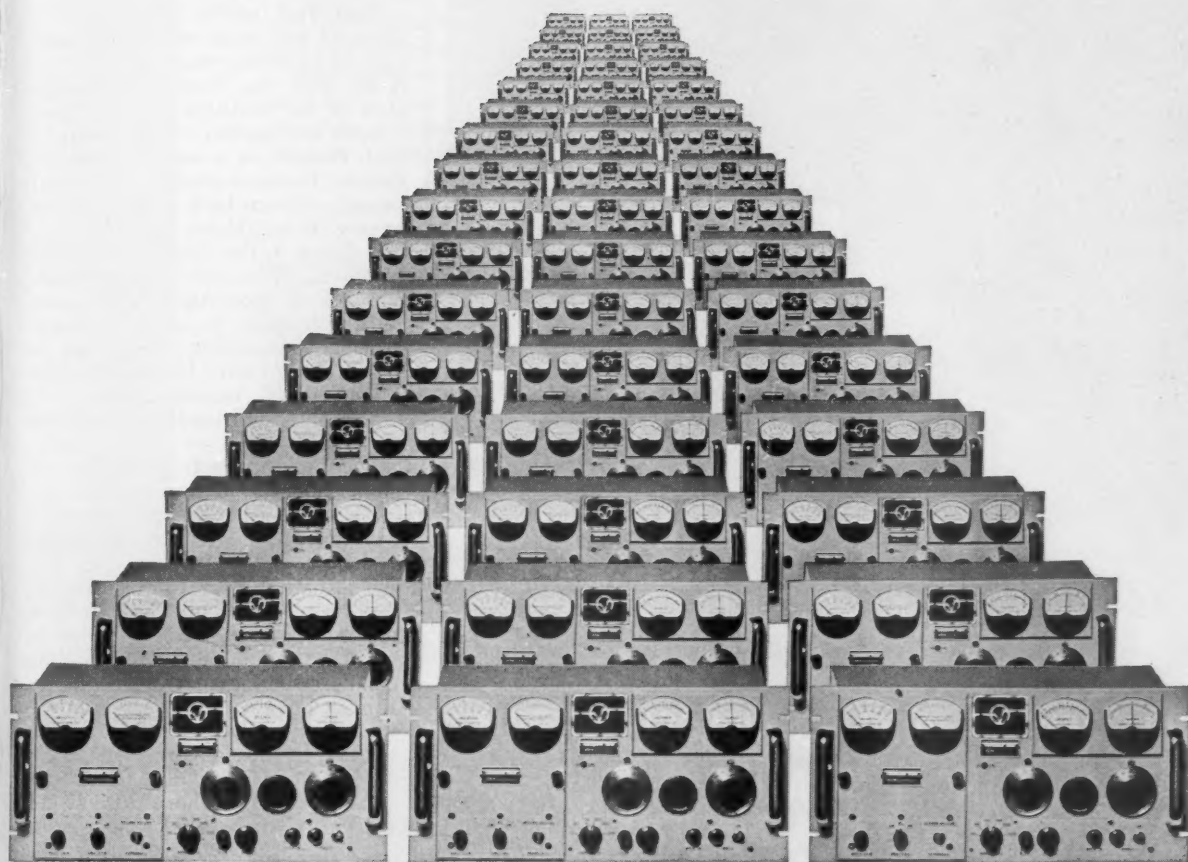
Kuwait's relationship to Britain traditionally has been that of a "protected state," a term that covers a variety of relationships between Britain and Persian Gulf states. Until recently, a political agent appointed by the British government acted as chief adviser to the ruler, handled all foreign affairs and defense matters, and had jurisdiction over court cases involving non-Arabs. Moreover, the agent had a major say in granting oil concessions, public works contracts, and supplies.

Today, the political agent is little more than a diplomatic representative. Kuwait has full control of its internal affairs. Externally, it controls its own foreign affairs. But, because Kuwait lacks trained diplomats, it is still represented by the British everywhere except among its immediate neighbors. It is a member of specialized agencies in the United Nations, has leading roles in the Arab League's Petroleum Exports Committee and the Arab Development Fund.

**Two milestones.** Last month, Kuwait marked two important milestones in its move toward independence. The transfer of jurisdiction over non-Arab residents to the Kuwaiti courts was completed. And Kuwait set up its own currency board and introduced the Kuwaiti dinar (equivalent to the pound sterling) as the country's only legal tender, replacing the Indian rupee. The rupee has been legal tender in all the Persian Gulf sheikdoms since the heyday of the British East India Co.

The changes have been accomplished without fuss, formalities, or target dates. As a result, relations between Britain and Kuwait are cordial and close. One sign: Kuwait's first diplomatic corps now is being trained in London at the British Foreign Office.

**Diplomatic plans.** Kuwaitis are planning their next steps as an independent nation with the same methodical caution they have shown up



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**Vitro**

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*Now I See What They Mean When They Say*

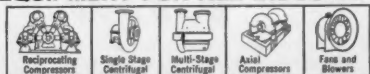


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to now. Unlike many African and Asian nations, Kuwait doesn't intend to apply for U.N. membership until it has trained diplomats. Perhaps in a year or two, it will become a member of both the Arab League and the U.N. And sooner than that, it will exchange representatives with other countries. Except for Britain, only the U.S. at present has official representation in Kuwait. The U.S. set up a consulate because of U.S. participation in Kuwait Oil Co., owned 50-50 by Gulf Oil Corp. and British Petroleum Co., Ltd.

**East-West policy.** Once Kuwait takes its last steps to complete self rule, it probably won't line up directly with the West, but will stay clear of the cold war.

Arab nationalism is too strong for that. Rumors of a move to join the British Commonwealth stirred up strong criticism both in Kuwait and among its neighbors. Like Morocco and Libya in the Arab League, Kuwait will try to stay clear of cross-currents of inter-Arab rivalry, and remain friendly to all Arab states, especially next-door Iraq. In the U.N., Kuwait most likely will follow a policy of nonalignment while maintaining its friendly ties with the West.

**Economic impact.** It's in the economic sphere—in development and investments—that Kuwait's transition will have its greatest immediate impact.

The pattern of Kuwait's crude oil exports, with the bulk going to Western Europe, is expected to be somewhat the same. But there are major changes stirring in its oil industry. Kuwait Oil Co., which has provided most of Kuwait's revenue for the past decade, is no longer alone in the field. Both Shell Oil Co. and the Japanese have offshore drilling concessions.

Moreover, Kuwaitis have started operating through their Kuwait National Petroleum Co., established last October. Unlike some other national oil companies, KNP has no political intent. It is set up solely as a commercial undertaking. Owned 60% by the government and 40% by the public, it will take over local distribution and marketing from Kuwait Oil Co. in June. "Later," a Kuwait official told Business Week, "when we have the men and the markets, we may go into exporting and drilling—when we know we can show profits."

**Domestic spending.** With this income from oil, Kuwaitis will continue their outlays on public works and housing. They also are looking for ways to invest their money locally as a means of setting up new domestic industries and to relieve

# with Mobil Program

## At Borg-Warner Corporation's Pesco Products Division, Mobil helps cut maintenance costs, increase production

Pesco Products ranks with the nation's foremost suppliers of components and systems for aircraft and space-vehicles . . . must maintain exacting product reliability and rigid schedules. To help meet these critical requirements, Pesco turned to a Mobil Program of Correct Lubrication.

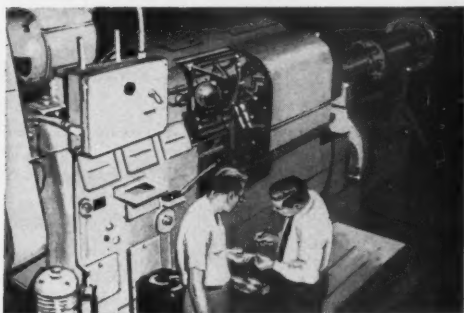
Mobil engineers began a program of analysis and study of Pesco maintenance and lubrication procedures in cooperation with Pesco personnel. The improved methods, schedules, and recom-

mendations that resulted brought Pesco maintenance to a new standard of efficiency and economy. Special areas of assistance by Mobil included instruction of maintenance crews, lubrication charts and recommendations, and problem-solving in high-cost areas. In 20 months, the Mobil Program saved Pesco \$11,735.

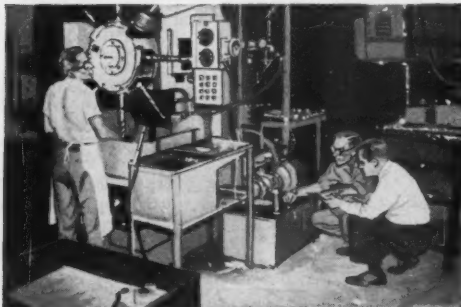
To find out how a Mobil Program may benefit your plant, write for an informative brochure. Or call your local Mobil representative.

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1. Sticking clutch plates on automatic screw machines posed costly maintenance problem for Pesco. Mobil traced the trouble to the oil used for machine lubrication . . . supplied a dual purpose fluid that eliminated the clutch problem, prevented loss of the cutting oil effectiveness as well . . . saved \$3,528 in 20 months.



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2. In Pesco's chucking department, lathes would not hold tolerance during the warmup because of oil characteristics. Mobil product eliminated the problem . . . saved Pesco \$1,072 in lost production time. And on automatic chuckers, a Mobil hydraulic oil ended recurrent pressure losses . . . saved \$1,960 in maintenance costs in 20 months.



4. Mobil studied Pesco's oil usage patterns . . . recommended bulk storage for certain petroleum products. Bulk delivery differential and reduced handling costs totaled \$880 for Pesco Products Division in the first year alone.

# Lubrication



## Who teaches your advertising agency to read a balance sheet?

The scene: a conference room in one of our offices. The lecturer: a professional security analyst speaking on the interpretation of financial statements. The curious part about his audience is that it is not made up of financial people — but rather of highly creative Marsteller-Rickard advertising men.\*

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*\*Our interest in financial subjects is more than academic. We produce financial communications programs for a number of our clients—and at last count had produced thirteen client annual reports for fiscal 1960.*

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dependence on oil as the sheikdom's only industry. One possibility is petrochemicals. Another is to use the available cheap power to process imported raw materials such as bauxite into alumina.

**Investing abroad.** But all their huge income can't be spent at home. Increasingly, Kuwaitis will be turning up as investors in other countries.

So far, most Kuwaiti investment has been in Britain, largely because Kuwait is a member of the sterling bloc. Kuwait is believed to control about 11% of sterling liquid funds.

Lately, an increasing amount of Kuwaiti funds has been invested in securities, both government and private, and property in other countries, the Middle East, U.S., West Germany, Switzerland, and Japan.

Kuwait is also under pressure, from the World Bank, for example, to share its wealth with other underdeveloped countries, particularly its fellow Arab states. It already has made loans to Jordan and Lebanon.

**Internal trouble spots.** Kuwait is not without potential trouble spots. Although the sheikdom has evolved beyond one-man despotism, power remains concentrated in a ruling class with close family links. For the most part, power is wielded benevolently, and Kuwaitis are freer about what they read, say, and listen to than any other Arabs, except the Lebanese. But as more and more Kuwaitis become educated, the chances grow for agitation for popular participation in the government.

Even within the ruling class, there's a good deal of rivalry. This is likely to increase with Kuwait's independence and with the approaching need to choose a successor to the ruler, who is nearing 70. Hostility has flared between the two leading contenders—Deputy Ruler Abdullah Mubarak and Finance Chief Jaber El Ahmed.

Another internal problem is the foreigners, who outnumber Kuwaitis two to one. They come from all over the Middle East, India, and Pakistan, partly as laborers in the oilfields, partly to meet Kuwait's shortage of skilled workers, teachers, traders, and engineers. They have no roots, and are more susceptible to outside pressures such as Arab nationalism, pro-Communist propaganda.

**Over the fence.** Externally, there are danger spots, too. In both Iraq and Saudi Arabia, there are those who claim that Kuwait is properly a part of their respective countries. This, of course, is a major reason the Kuwaitis have clung to their British ties, and will most likely continue to do so. **End**



Airborne liquid oxygen tank is loaded aboard a U.S. Air Force Douglas C-133 for flyaway delivery to Vandenberg Air Force Base, California, to become part of the ground support system for the Thor missile.

## How they air mail power for the Thor

The Air Force Thor missile, poised and ready to keep the Free World safe, feeds on super-cold liquid oxygen (LOX) for its powerful thrust. This precious fuel must be shipped *safely* to bases at home and abroad absolutely free from contamination.

**Selecting the material** to package huge amounts of this LOX at  $-297^{\circ}$  F was the task of the Cambridge Division of Standard Steel Corporation. Such temperatures embrittle some conventional metals, making them shatter like glass.

**Nickel stainless steel** was the answer

for the inner shell of the 50-foot long vacuum-jacketed tank they designed—the world's largest "Fly Away" vessel. With nickel in it, stainless steel stays tough even down to  $-454^{\circ}$  F.

**The corrosion resistance of nickel stainless steel** is vital to safeguard the purity of the LOX. Corrosion could cause flaking, and just a trace of it could put a Thor out of operation. But the LOX, kept 99.995% pure in nickel stainless steel, is transferred directly to the missile itself.

Nickel stainless and other nickel steels

are often the most economical—and the safest—alloys to use in handling liquefied gases. Their weldability cuts fabrication expense and their ductility and strength means they can be used in lighter, cost-saving forms and shapes.

**For all the facts on steels** for low temperature service, write for your copy of the booklet, *Steels for the Containment of Liquefied Gas Cargoes*. It's yours for the asking.

**THE INTERNATIONAL NICKEL COMPANY, INC.**

67 Wall Street



New York 5, N. Y.

# INCO NICKEL

MAKES STAINLESS STEEL PERFORM BETTER LONGER

## Japan and Australia are becoming each other's best customers

Trade between Japan and Australia is at an all-time high these days.

Only three years after their first trade treaty was signed, Australia is now Japan's No. 3 market, behind the U.S. and Hong Kong. In turn, Japan is Australia's second-best customer after Britain.

In the calendar year ending last Apr. 1, Japan bought \$306-million worth of goods from Australia and shipped to that country only \$150-million worth. This left Japan with a sizable deficit.

The Japanese, who are still the world's leading bilateralists, ordinarily don't like such large deficits. Still, this one doesn't seem to be bothering them too much. Last week a Japanese official admitted that while Japan would like to reduce the deficit, it considered it a permanent part of Japan's trade pattern with Australia.

The reason: Japan is buying from Australia only raw materials—wool, soft wheat, coking coal, and iron ore. It is getting them at world prices, and the freight haul is short and cheap. At the same time, Japan is selling manufactured goods, such as textiles, toys, and ceramics. These are all hard-pressed Japanese industries, fighting hard to retain markets all over the world.

## British push for Soviet trade while some home industries gripe

For some time now, British businessmen have been the Western world's leading proponents of trade with the Soviet bloc.

This was evidenced this week when the British Trade Fair opened in Moscow's Sokolniki Park, scene of the famous Khrushchev-Nixon "kitchen debate." Here, some 735 British firms spent over \$5.6-million on displays aimed at increasing trade between the two nations.

Meanwhile, some British businessmen are wondering whether they may be creating a monster.

Two recent machine tool sales to Britain by Communist countries have painfully spotlighted this growing problem. Competitive in delivery, performance, and finish, and with overwhelming price advantages, the Soviet bloc products are appearing increasingly attractive to British operators.

Price on a new type of Russian center lathe, including import duty, is about 50% below the comparable British price. Delivery is quoted at one month, compared with the 18-month to two-year wait for British machines.

British machine tool manufacturers are already complaining that Russian machine tools are a major threat to the domestic industry. Meanwhile, British manufacturers of other products are wondering who will be the next to be faced with this kind of competition.

All of this comes at a time when Anglo-Soviet trade is expanding rapidly. Britain's imports from Russia rose

to about \$47.2-million in the first three months of this year, compared to \$33.4-million in the first quarter of last year.

During the same period, British exports to the Soviet Union totaled \$33.6-million, against \$31.6-million in 1960.

## U. S. offers Bolivia \$50-million in aid; IDA's first loan goes to Honduras

Plans for economic development in Latin America are inching forward.

This week, the U.S. offered Bolivia an aid package worth almost \$50-million, bringing U.S. assistance to that country to \$201.4-million over the past decade. West Germany added \$3.7-million to the offer.

The package is a move toward developing a long-term economic development program for Bolivia, which has been getting U.S. assistance on an emergency basis. The funds will go into roadbuilding, sugar mills, airports, and tin and oil development. This last reflects a new U.S. policy of giving government assistance to nationalized extractive industries.

The Soviet Union and Czechoslovakia have a standing offer of \$210-million in aid for Bolivia. Washington is hoping that the new U.S. assistance will make it easier for Bolivia to resist the Communist blandishments.

The International Development Assn. this week lent \$9-million to Honduras for roadbuilding. This is IDA's first loan—interest-free, with 50 years to repay. IDA, formed last year at the urging of the U.S., is the so-called soft-loan arm of the World Bank.

Last week, the Chilean government announced a \$10-billion plan for economic growth over the next 10 years. It's designed to increase the growth rate from 3% to 5.5% annually and to raise the average living standard 20%. To accomplish this, Chile hopes to attract private foreign investment and government financial assistance totaling \$2-billion.

Next month, the Latin American Free Trade Area officially will be inaugurated. Its basic objective is to establish in 12 years a common market in which all internal trade barriers would be abolished. Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay are now members. Colombia, Ecuador, and Venezuela are potential members.

## Volkswagen tops in German sales volume

West Germany has a new champ—Volkswagenwerk of Wolfsburg. According to figures released this week, Volkswagen is now West Germany's biggest industrial concern in sales volume. For years, the Krupp group and the Siemens interests have battled for the distinction. For the first time, Volkswagen nosed them both out with about \$1.2-billion worth of sales last year. Krupp finished second with slightly more than \$1-billion, while Siemens sold \$880-million worth of goods.



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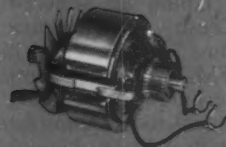
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# Patent discord hits stereo FM

**Neither GE nor Zenith has patents on the system approved by FCC, but little Crosby-Teletronics claims it has had the whole thing sewed up since 1958**

As so often happens in the electronics industry, a new development that at first sight looked simple has developed sudden static. This time it's the Apr. 20 decision by the Federal Communications Commission establishing standards for stereophonic FM broadcasts.

The first industry reaction to the decision was enthusiastic (BW—Apr. 29'61, p54). Many stations are eager to get on the air. Radio receiver makers are anxious to get new and different sets on the market.

But by this week, nearly a month after the FCC decision, the industry was milling in confusion. It turns out that there are a lot fewer guideposts than production men hoped to find; conflicting patent claims and unforeseen technical complications threaten to slow the race.

**Patent fuss.** The stereo broadcasting system that FCC selected from a field of six is the one proposed by General Electric Co. and Zenith Radio Corp. Both claim to have developed the method independently.

However, immediately after FCC gave its approval, it was obvious that both licensing and information-sharing was jam-packed with complications. Neither GE nor Zenith has any patents on the method both backed. Both have filed patent applications on specific details. But neither company will tip its hand on what these details are.

Meanwhile, Crosby - Teletronics Corp., a small (sales \$1.6-million) electronics manufacturer at Syosset, L. I., cheerily claims that it holds a basic set of patents covering the system that the FCC selected.

**Lining up adherents.** Murray G. Crosby, its president and a long-time experimenter in stereophonic FM, filed for patents in 1953 on a technique for sending an FM stereo signal that is completely compatible with existing monophonic receivers. His patent, granted in 1958, appears to be quite basic, in the opinion of many electronics experts.

Some 24 radio manufacturers have already signed up as Crosby licensees. Among them are such large-

volume producers as Admiral Corp., Daystrom, Inc. (Heath Co.), and Granco Products, Inc., plus some leading high-fidelity component makers, such as Fisher Radio Corp.

Crosby held a technical symposium on May 12 at which he turned over circuit and technical information to licensees and announced royalty rates of 50¢ per receiver for the first 25,000 units and 25¢ thereafter. For kits and adapters, the royalty is 30¢ and 15¢.

**Zenith vs. GE.** Zenith and GE, while sharing the glory of having their system selected by FCC, appear to share little else. GE rushed newspaper advertisements immediately after the decision, taking credit for developing the successful system. Zenith's president, Joseph S. Wright, immediately fired off a complaint against GE to the Federal Trade Commission charging unfair competition through misrepresentation. In a telegram to Ralph J. Cordiner, chairman of GE, Wright protested that GE was attempting "flagrant misappropriation by publicity."

The two big companies don't agree about licensing policies, either. Zenith says it has requests from companies for licenses. But since Zenith had not solicited licensees and had no policy for processing such requests, a rumor quickly circulated that Zenith did not intend to license.

Zenith's Wright told Business Week: "We don't have any patents yet, and it's highly unusual to license under a patent application. When and if any of our patents are approved, we'll be willing to license."

**Licenses before patents.** Zenith has made some of its circuit work available to the trade already, but at midweek still had not decided about pre-patent licensing.

GE, unlike Zenith, is soliciting licensees despite its lack of a clear patent position. To get things rolling, it held a technical symposium in Utica last Monday, charging \$1,000 admission, applicable on future royalties. These, GE announced, would be a straight 50¢ per receiver and 25¢ per adapter or kit.

At least one major manufacturer, Motorola, Inc., will have nothing to do with any of the proffered licenses as of now. Fred Williams, Motorola's director of radio engineering, points out that Crosby is the only one that has published circuitry, but adds: "We're designing our system without regard to patents. When the design is finished, then we'll worry about them. We aren't trying to work around patents and will take a license if necessary."

**Clearing the picture.** No one is more anxious than Murray Crosby to find out how strong his patents are, and he intends to prove them in court. For Crosby-Teletronics, a clear patent decision in its favor would be terribly important. Sales of FM receivers have been steadily increasing in recent years, reaching about a million sets last year. With stereo added, a healthy increase in unit volume is certain.

Though it may seem odd that Crosby could have the patent rights to a system selected by FCC that was submitted by two other companies, patent confusions of this sort are endemic in electronics. Here's how it happened in this case:

For a long time, stereo broadcasts were considered commercially impractical. To get true stereophonic effects meant sending two separate signals to separate radio receivers with separate amplifiers and speakers. But separating left and right into two completely separate signals, as is done in some stereo broadcasts by using an AM station and an FM station, has a great defect. If you listen with only one receiver, you get, say, an emphasized left side of the orchestra. For extreme stereo effects, such as a conversation between two people at separate microphones, a monophonic set would receive only half the conversation.

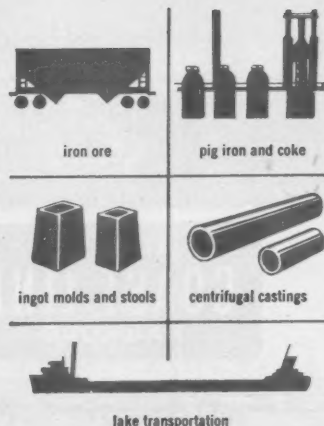
**'Sum and difference.'** The problem in stereo, then, was to get a system that would give balanced monophonic reception, yet provide means for sending two signals for stereo effect. This, basically, is what Crosby solved by his patented system of

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Approximately one-third of all the ingot molds and stools purchased on the open market by the American steel industry are produced by Shenango. And these tremendous iron castings in which steel takes its first solid form are Shenango all the way. They start as ore from its Mesabi mines; which is then transported down through the Great Lakes in the holds of Shenango's own fleet. In its Sharpsville blast furnaces they join Shenango coke to become molten iron and are finally cast in Shenango's own foundries. The quality for which these molds and stools are well known is literally Shenango-controlled from the ground up.



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"sum and difference" multiplexing.

It works by sending out on the FM channel a main signal that contains the sound from both the right and left microphones. That means a listener with an ordinary set gets balanced sound. To produce stereo, another signal is sent out on the same FM channel riding on a super-audible tone, or a sub-carrier, that delivers the sound from the right-hand microphone and an inverted signal from the left-hand mike.

Heard alone, this right-minus-left signal would sound like mere noise. But when it is electrically added to and subtracted from the main signal by a special circuit in the receiver, the resulting cancellation and reinforcement yields separate signals from the left and right microphones.

**Variation.** The GE-Zenith system differs from one that Crosby proposed to the FCC because it includes a third channel that broadcasters can use for supplementary multiplexing, such as sending special music programs to subscribers.

But keeping three signals separate on one FM broadcast channel is no easy trick, and there is considerable concern among broadcasting stations that they will not be able to have both stereo and special multiplex subscriber broadcasts on the air simultaneously.

**Adapters.** Receiver manufacturers are also taking a second and closer look at the problem of making stereo adapters that can convert ordinary FM tuners to stereo. At first sight it looked as if there might be a big, immediate market in equipping a portion of the 15-million or so existing FM sets. But about 65% may not be worth adapting.

"It wouldn't make much sense," commented a manufacturer at the Crosby seminar, "to put a \$100 adapter on a \$30 set, would it?"

Most of the industry considers the adapter market limited to hi-fi fans.

"But if they are real bugs, they'll want a whole new tuner designed for stereo anyway," says one component manufacturer.

Zenith doesn't plan to make adapters, and Motorola is pessimistic about them. GE will make one for its own sets, as will most manufacturers of hi-fi components.

Apparently, there are only two things about which the industry agrees: Everyone thinks FM will eventually get a big boost from stereo, and J. E. Brown, vice-president of engineering at Zenith, spoke for most of the industry when he told Business Week last week: "I can't understand how anything so new can be so thoroughly fouled up." **End**

# International outlook BW

May 20, 1961

## Army officers seize power in Korea

A junta of tough, young Korean army officers this week seized command of South Korea. At midweek, they appeared to be in control of the country. They took over to halt what they termed corruption and indecision under Prime Minister Chang Myun.

Observers in the Far East believe the revolt will lead to a long series of negotiations between leaders of the coup and Chang, who is supported by the U.S. to patch together a new regime. The officers want a more aggressive policy—renewing commercial relations with Japan, an end to political corruption, a tougher anti-Communist stand.

At midweek, there was little indication of where popular sentiment lay. Student leaders who led the movement to overthrow Syngman Rhee last year (BW—Apr.30'60,p32) may side with the officers.

## Coup surprises Washington

Washington was clearly caught flat-footed by the coup. That's evident in the lack of coordination in statements made in Washington and Seoul. U.S. diplomatic and military representatives in Korea came out fully behind Chang; officials in Washington were less forthright, waiting to see how the affair shakes out and who stays in power.

The main fear in both Washington and Seoul is that the North Korean Communists will be able to take advantage of the turmoil to infiltrate the southern half of the peninsula.

## Last chance for stability in Iran?

The new premier in Iran, Ali Amini, has promised a big-broom operation against deeply entrenched corruption and nepotism. This may be the pro-Western Shah's last chance to bring stability to his nation.

To get political and economic reform, Amini will have to step on toes among the Shah's royal family, the landed gentry, leading government administrators, and army brass. They will not give up their privileged position without a fight, even though Amini himself is a member of the royal clan.

Resistance from this feudal elite may force Amini either to seek leftist support and adopt extremist positions, which might steer Iran into neutralism, or to give up, thereby precipitating a showdown between the right and left.

Two questions loom: (1) How far will the Shah resist his own family to support Amini and (2) how united is the army's support of the Shah?

## Talks to settle Algerian war get started

Long-awaited negotiations between the French and the Algerian nationalists (FLN) to end the Algerian war are scheduled to begin this weekend at Evian, in the French Alps.

None of the main issues between the two has been settled. The conference likely will revolve around whether the FLN will accept an Algeria associated with France, or will demand full and immediate independence.

Paris fears a last-ditch outburst of violence by the European civilians in Algiers to prevent a settlement, especially if the Evian talks appear to be making progress.

A civilian revolt wouldn't be a military threat to Pres. de Gaulle's posi-

## International outlook Continued

### Foreign aid bill's chances improve

tion. But it's hard to say what the army will do if ordered to mow down European civilians. Many civilians apparently are determined to stage a final protest on a "then-we'll-see-what-happens" basis.

Mounting world tension is improving chances of Congressional passage of Pres. Kennedy's foreign aid bill, which will go to Capitol Hill shortly.

Administration soundings indicate that many traditional opponents of foreign aid have come around to the view that the U. S. must have a long-range aid program to meet increasing Communist pressures.

Within the Administration itself, ranks are closing behind the President's plan to ask for long-term borrowing authority. Kennedy wants to set up a new agency, with authority to borrow \$7.3-billion from the Treasury to finance development abroad over the next five years. He held the foreign aid request down to \$4-billion to improve chances of having the long-term financing arrangement approved.

Treasury Secy. Dillon and several other officials have doubted the wisdom of requesting this borrowing authority, at least this year. They feared that if it is defeated, the U. S. will find itself short of funds to meet aid commitments to Brazil, India, and other countries. But, with the Congressional outlook improving, they have decided to fight hard for the President's proposal.

### Brazil hails aid plan

The aid package that the U. S. presented to Brazil this week was hailed in Rio de Janeiro as a victory for Pres. Quadros and a vindication of his policy of detaching Brazil's foreign policy car from the U. S. wagon. Boasted a leading newspaper's editorial, "Brazil did not need to make a single concession."

The package includes \$338-million in new U. S. money and \$305-million for rescheduling debts. In addition, the International Monetary Fund is extending \$120-million in net new standby credits and rescheduling \$140-million of current debt.

The U. S. got no assurances that Brazil would line up with it in taking a stand against Fidel Castro. And Rio observers don't see any likelihood that the deal will spark a spontaneous move toward an anti-Castro position in Brazil.

### Japanese run ahead of plans

Japanese economic planners are thinking of thoroughly revising Prime Minister Hayato Ikeda's 10-year plan to double the national income. Economic growth this year makes the original goals almost ludicrous.

Capital investment has skyrocketed. Current estimates are that it will reach \$10-billion this fiscal year. That was the investment target for 1970, under the plan. Steel production is growing so rapidly that planners say the 1972 target of 45-million tons will be reached by 1965.

Ikeda and his principal advisers believe there is nothing to worry about. They think the present estimate of 11.2% growth in the national product this year will be taken in stride. They had projected only 9.2% for this year and next.

Others, including the banking community, fear inflation and a balance-of-payments crisis as imports rise. The Ministry of International Trade & Industry (MITI) warns that there may be a net outflow of foreign exchange, causing an estimated deficit of \$280-million in current account.

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# Stampede for SBICs is on

**Their shares go on a tear,  
as small companies  
have first public sales**

**This week** a small Plainview (N. Y.) manufacturer of components for digital computers had its first public sale of stock. Underwriters offered 210,000 shares of Potter Instrument Co., Inc., at \$10 per share; within minutes, the stock traded at \$23.

On the surface, the Potter issue has nothing to do with the group of small business investment companies listed at the right. Yet the announcement of Potter's offering not quite two months ago was what helped trigger the big rise in the shares of publicly held SBICs (table).

Potter is one of more than 1,400 small businesses—with annual sales under \$5-million and net income of \$250,000—that have been given capital in one form or another by SBICs under the government's plan to speed long-term equity financing to small business (BW—Apr. 9'60, p. 43). In Potter's case, Electronics Capital Corp., the first of the SBICs to go public, loaned Potter \$250,000 and also took \$750,000 in 10-year Potter debentures, convertible to 33⅓% of the common. Now Potter has itself gone public, and ECC is sitting with a fat unrealized capital gain.

## I. On the bandwagon

Potter's case illustrates why investors have started a stampede for the shares of SBICs. Only three months ago, most of the publicly held venture capital companies were selling at a discount, but the promise of new stock issues by companies like Potter sent SBIC shares on a tear. Investors feel that by putting money in SBICs, which take a big proprietary interest in companies through direct loans, convertible debentures, stock, or warrants, they are getting in on the ground floor of the growth companies of the future.

## Small business investment companies

	Issue price	Size of issue	This week's bid price
Allied SBIC .....	\$11.00	\$1,100,000	\$11.00
Boston Capital .....	15.00	22,500,000	25.75
Business Capital .....	10.00	5,000,000	14.13
Citizens & Southern Capital ....	5.50	1,650,000	7.88
Continental Capital .....	14.00	3,290,000	15.75
Electronics Capital .....	10.00	18,000,000	54.00
Electro-Science Investors .....	11.00	8,492,000	38.00
Florida Capital .....	8.00	7,600,000	11.50
Franklin Corp. ....	10.00	10,000,000	22.75
Greater Washington .....	10.00	5,000,000	28.15
Growth Capital .....	20.00	10,000,000	35.50
Marine Capital .....	15.00	10,005,000	17.38
Midland Capital .....	12.50	16,250,000	17.75
Mid-States Business .....	11.00	2,475,000	14.50
Narragansett SBIC .....	11.00	5,500,000	16.25
Techno Fund .....	12.50	5,625,000	22.00
Texas Capital .....	6.00	2,850,000	9.25
Venture Capital .....	7.50	2,473,000	21.00
Virginia Capital .....	10.50	630,000	16.50

Data: Small Business Administration; Business Week

The rewards come chiefly when these companies go public—and the SBICs are in a position to cash in their chips.

For example, about a year ago Greater Washington Industrial Investments, Inc., purchased \$900,000 worth of 8% convertibles in C-E-I-R, Inc., the computer systems service company (BW—Nov. 12'60, p. 89). C-E-I-R's rapid growth has increased the value of this investment to more than \$7-million. A good many other SBICs have unrealized profits in similar situations.

**Vulnerable market?** But while public acceptance of SBIC shares is causing jubilation among those who see them as the savior of small business, others are not so sure. They see more speculation than substance in the price gains of a number of SBICs, and even some SBIC men admit that the market for SBIC shares may be vulnerable.

Since long-term capital gains are the primary goal of the SBICs, it is hard to use traditional yardsticks—such as price-earnings ratios—to judge value.

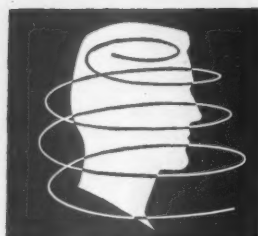
There is also some concern that SBIC shares could tumble more sharply than the market itself in any reversal since many SBIC investments are in electronics companies, which are the most glamorous of

stock groups. A number of SBICs use the shot-gun approach in investment, diversifying in many industries. But the pacesetters of the industry have been concentrating in scientific and technological stocks, and if these suffer then SBICs could take a beating.

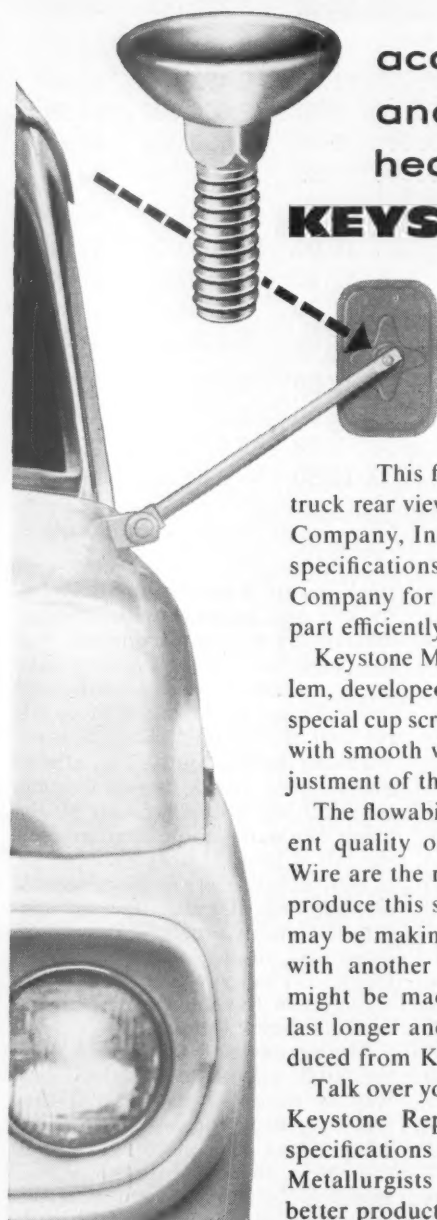
**Taking public route.** The rate of SBICs going public is accelerating. Of some 250 SBICs licensed by the Small Business Administration since the fall of 1958, 21 have gone public, at least 12 others are in the process of issuing stock. (Of the 21, only Venture Capital Corp. of America is listed and trades on the American Stock Exchange. The others are traded over the counter, but several are considering listing.)

Managements of SBICs look upon the public sale of stock as the easiest way to raise the risk capital they feel they need for investment flexibility, so it's clear more will be selling new stock. Moreover, small privately held SBICs are at a disadvantage in competing with publicly held companies. The limited capital doesn't generate enough income to support a full-time staff able to screen out deals.

The way things are going investors will have the opportunity to invest in at least 50 SBICs by the time 1961 is out. For the sophisticated investor the risks seem rela-



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tively small because Washington lends a favorable tax climate, legislative support, and federal funds.

**Leg up from Washington.** SBICs, for instance, need not pay any tax on income they receive in the form of dividends, and they can deduct from ordinary income all losses they sustain in their equity investments—stockholders share the same privilege of deducting losses from ordinary income, while profits are considered capital gains.

The SBICs also have a good deal of leverage. The initial capitalization of Cleveland's Growth Capital, Inc., to cite one case, was nearly \$9.8-million. As of Mar. 31, 1961, the company had \$9.6-million out or committed. Under SBA rules, it can call on a government loan at 5% for half its capital and surplus when needed, or it can tap private sources for four times the amount of its paid-in capital.

Congress is constantly putting new energy into the SBIC program. On the docket now are bills that, among other things, would:

- Permit SBICs a 20% tax exemption for bad debt reserves. Industry practice up to now has been to put about 4% aside for losses. So far, there have been few clinkers, but financing small business is a high-risk undertaking.

- Increase from 50% to 100% of capital and surplus the amount an SBIC could borrow from SBA at 5%.

## II. Factors to weigh

The crucial element in SBIC investment, though, is management. Some SBICs have been started by well-known figures, such as James J. Ling of Electro-Science Investors, Inc., and Greater Washington's Dr. Arch C. Scurlock. By the same token, some SBICs have attracted men who have not yet been tested for the specific talents needed in selecting meritorious small companies. This means that the road isn't a free and easy one for investors.

A number of other things have to be considered. Some SBICs report operating expenses that are tolerable only because they are so young. Others are so small they may not be able to turn their cash fast enough to reap really big rewards—although they might be able to apply leverage more quickly than others. Still other SBICs have a long way to go before their initial funds are committed (the money is sitting in governments, for the most part), so that it is hard to get a fix on their prospects.

**Competitive pressure.** Another factor that urges caution is the new



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competition within the industry. A year or so ago, a few dominant SBICs held sway. But now there is no longer any sense of urgency on the part of small businesses. They can shop around and pick the best offer.

One sign of this increased competition is the lower interest rates that SBICs are getting on their loans. At the outset of the program, a 15% rate was not uncommon. (This led to some criticism, since SBICs were able to borrow low-cost money from the government, lend it out at a big spread.)

Now loans at 8% or even 6½% are common. This means that some small SBICs will be hard pressed to get enough income to meet expenses—which may intensify the pressure to go public.

Competition, it might be argued, is a sure sign that the SBIC program is succeeding. But some Wall Street men are not convinced that the spate of new offerings is all to the good. For one thing, public ownership tends to bring on pressure to invest quickly, which could mean some SBICs will be making loans they wouldn't have otherwise.

**The long pull.** In any case, the investor in SBIC shares should be in for the long pull. "We're looking for companies whose values will multiply five and ten fold," says Joseph W. Powell, Jr., head of Boston Capital Corp., the largest SBIC with over \$20-million in assets. "But it will take five years for a good substantial profit because it takes our companies that long to develop."

Some SBIC men think Powell is looking too far ahead. ECC, for one, felt Potter was ready for public sale less than two years after it provided financing. The same was true of Growth Capital, which parted with some of its investment in Mansfield Industries, Inc., in April.

**Shareholders' windfall.** In the meantime, some SBICs are favoring their shareholders with dividends consisting of shares of some of the companies they hold. Greater Washington doled out three shares of C-E-I-R for every 100 shares of Greater Washington stock held. Electro-Science Investors gave out stock in Tamar Electronics Industries, Inc., on the basis of one share of Tamar for each 10 of ESI.

Franklin Corp.'s president, Herman E. Goodman, likes this form of payout. As he sees it, such payments do not drain cash or create dilution of the common stock.

Powell of Boston Capital, though, is against it: "We have no intention of giving out stock in our best companies."

## Some second thoughts on CDs

With Fed showing no signs of easing its regulations, banks are doubting wisdom of offering certificates of deposit

Just three months ago, bankers in New York City touched off a chain reaction across the country by offering to sell negotiable, interest-bearing certificates of deposit to their corporate customers (BW—Feb. 25 '61, p. 34). The new service caught on fast—an estimated \$1-billion of the CDs have been sold already, with well over half coming from the New York City banks.

But now bankers are beginning to wonder if maybe it wasn't a mistake to have started offering the CDs. They're afraid they may have a bear by the tail, and aren't sure what course to take.

These doubts—which are being expressed only in private—are important. They have a bearing both on the ability of commercial banks to attract lendable funds and on the structure of interest rates in the money market.

**Regulation Q.** The concern of bankers centers on the Federal Reserve Board's Regulation Q, which sets maximum interest rates that banks are allowed to pay on time and savings accounts. For ordinary individual savings accounts, Regulation Q currently sets a simple 3% maximum. For corporate time money—either in the form of certificates of deposit or open time accounts—deposits of less than 90 days are limited to 1%, 90- to 180-day deposits to 2½%, over 180 days to 3%.

It's obvious that the commercial banks, which must compete for funds with the open market, can only attract money when interest rates on short-term paper are lower than the ceilings. The banks, for all practical purposes, now are excluded from the under-90-days market by the 1% ceiling, since the rate on 90-day Treasury bills is running at 2.2%.

From 90 days on up, however, Regulation Q doesn't bother the banks just now, and they've been very successful in getting funds by selling CDs. In just three months, New York City banks have sold \$577-million in CDs running for 90 days or longer; banks in Chicago have sold another \$100-million to \$150-million.

**The concern.** Even though loan demand is slack at present, bankers clearly have been happy to get this

money. But the second half of the year, when it's likely that rising loan demand will tighten the money market once again, may bring problems because the CDs that are being written now start to mature. The bankers don't want to be in the position of having the CDs mature and then not be able to "roll them over" by selling new CDs.

"There's a distinct possibility," says a banker in New York, "that by next fall money rates may be too high for us to be competitive—at least as long as Regulation Q stays the way that it is right now."

Roy L. Reiersen, senior vice-president and economist of the Bankers Trust Co., seconds this view. "If certificates of deposit are to become an important money market instrument," he says, "the Fed will have to lift the Regulation Q ceilings."

**Fed's attitude.** Until now, however, the Fed—which has been under pressure to revise the "Q schedule" for years—has shown little, if any, interest in changing the present regulation. The Fed feels that the rate ceiling is necessary to prevent "destructive" competition among banks.

As a result, most of the big New York and Chicago banks that started selling CDs at the end of February are quietly trying to slow the inflow of CD money. The First National City Bank of New York, for instance, is now quoting 2½% for six- to nine-month paper. That's a full ¼% under the rates being paid on commercial paper issued by leading finance companies.

**The significance.** Over the longer pull, if the Fed eases up on its interest rate restrictions and allows the banks to compete freely, the CD will be increasingly important to the banking system, and to the New York and Chicago banks in particular. Their share of the nation's bank deposits has long been slipping, and they see the CD as an opportunity to reverse the trend.

If funds from CDs do begin to bulk large in over-all deposits, that will tend to make future periods of tight money less onerous. As a banker in Chicago points out: "After all, reserve requirements on time deposits are only 5%—compared to 16½% on demand deposits." **End**

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## Wall St. talks...

about Alleghany proxy fight,  
supermarket mergers,  
weekly service on new issues

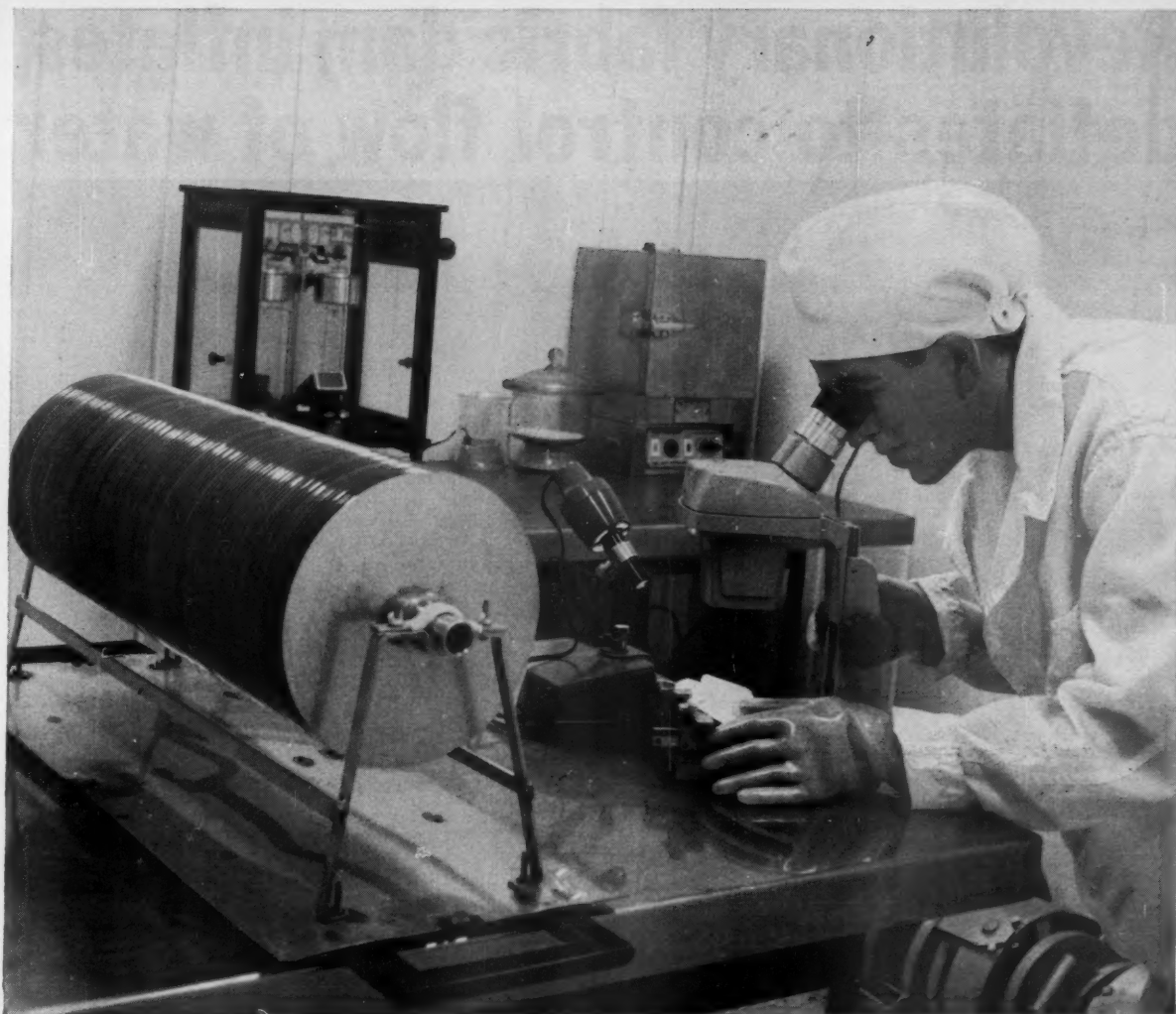
The Murchison brothers are making a good showing in the proxy tallies for control of Alleghany Corp. They are reported to have close to a 200,000-vote lead over Allan P. Kirby in the ballots from individuals already counted. The results won't be final until May 23, but if the votes from brokerage houses favor the Murchisons, they should come out ahead, despite Kirby's big personal holdings.

A merger is brewing between H.C. Bohack Co., Inc., (1960 sales: \$170-million) and Daitch Crystal Dairies, Inc., (1960 sales: over-\$90-million), two New York supermarket chains. The merger is supposed to involve an exchange of one share of Bohack, selling this week at just over 43, to four shares of Daitch, which is just below 10.

Seeking to cash in on the surge for new issues, Merit Publishing Co., Inc., a new company itself, has started the New Issue Reporter. The weekly service, which will provide subscribers with a digest of all new stock registrations, will cost \$35 a year.

Albert A. List's Glen Alden Corp., which early this year made an unsuccessful bid for Endicott Johnson, topped the list of active stocks on the NYSE this week on new rumors of an impending merger. But a company spokesman refused to confirm or deny, said only: "We've a large cash position, and we're always talking with someone about acquisitions."

The West German government is taking special pains to slap down comments from a German private banker, Rudolph Muennemann, that another upward revaluation of the Deutschemark is inevitable. Such remarks, said Economics Minister Ludwig Erhard, "are utterly irresponsible and deserve only our contempt." The government backed up its view by giving the green light to the Bundesbank, the central bank, which cut its discount rate to 3% in order to discourage the flow of capital into West Germany.



A new D.I.S. technique gets this oxygenator surgically clean, removing even pyrogens which are not affected by normal sterilization.

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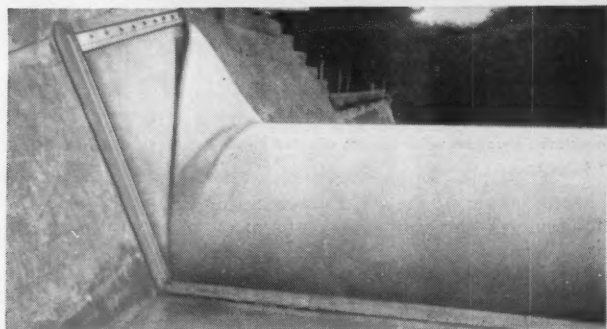
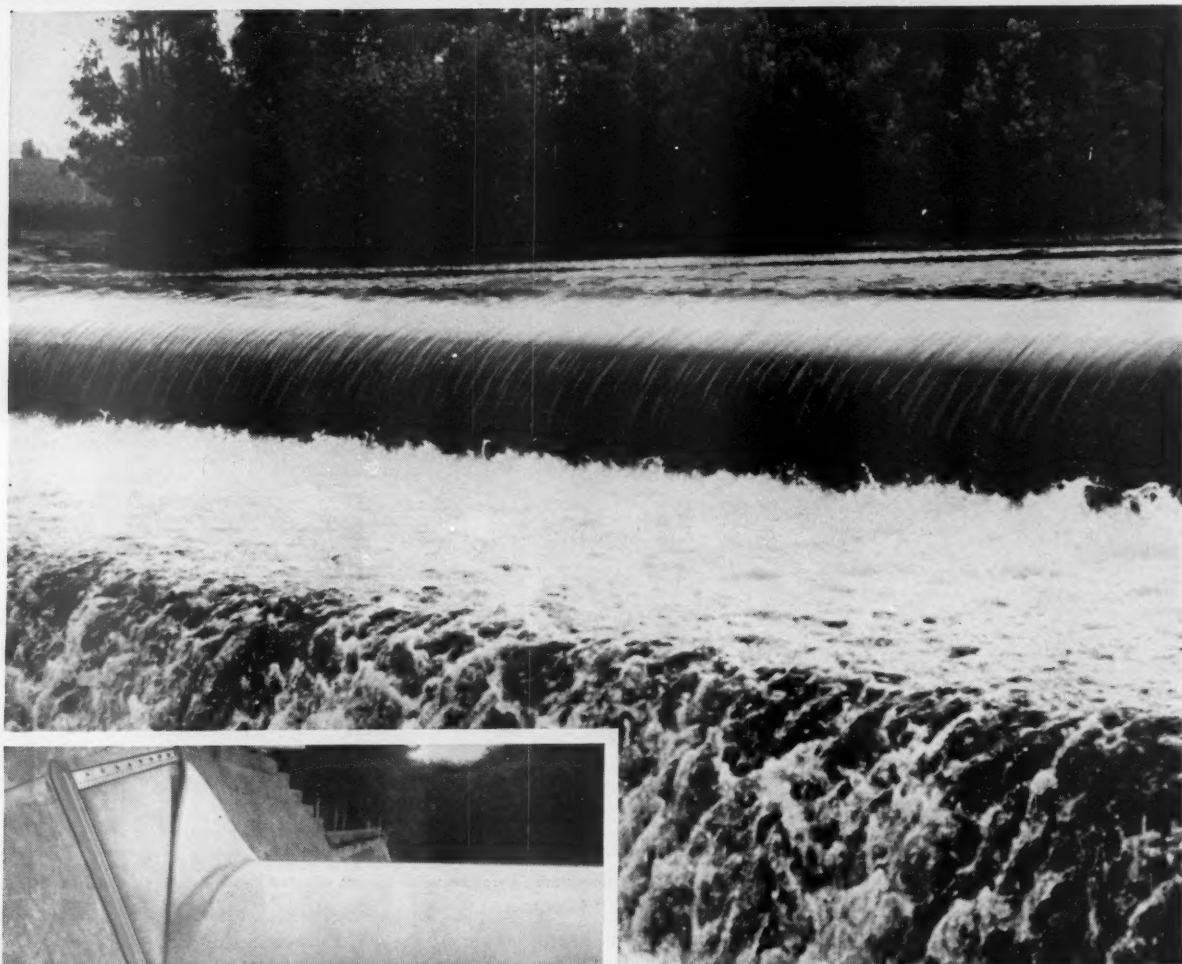
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# Revolutionary fabric dam inflates, deflates to control flow of water



Left: view of one end of inflated Waialua Fabridam before rains raised reservoir level. Easily installed on concrete foundation.

Above: water flows over Fabridam, from Wahiawa Reservoir into tunnel leading to plantation, at rate of 175 million gallons per day.

Irrigating the ten thousand acres of sugar cane under cultivation by the Waialua Agricultural Company, Ltd., of Waialua, Hawaii, takes more than 25 billion gallons of water a year. To conserve extra water available during wet periods, a remarkable new "Imbertson Fabridam by Firestone" was installed in the spillway of the Wahiawa Reservoir.

Far less costly than conventional control gates, this light, flexible fabric dam increases the storage capacity of the reservoir by 500 million gallons. During the rainy season, it automatically deflates sufficiently to prevent flooding.

Wellington Sears supplied the nylon base fabric used by the Coated Fabrics Division of The Firestone Tire & Rubber Company for the Fabridam. With a tough neoprene coating, it has outstanding resistance to deterioration from age and abrasion—for a life expectancy of 15 years.

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# In the markets

**BW**

## Stock prices climb to new peak with cyclical leading the pack

Stock prices rose to new highs this week, led by the cyclical group—steel, machinery, aluminum, auto—that have lagged behind the growth stocks over the past six months. The Dow-Jones industrial average, which has been marking time since breaking through its old high of 685, shot over 705—a new peak.

Buying was sparked by the sharp rise—from 102 in March to 105 in April—in the Federal Reserve's industrial production index; this was a bigger increase than most economists had been anticipating. While Wall Street has tended to discount the recovery, it took heart at the prospect of a new boom, which could mean much higher earnings by the cyclicals.

Institutional investors began shifting to cyclicals some time ago. But now this trend is gathering steam, as individual investors follow suit.

It's difficult to determine just how far this trend will go—and whether it will have an effect on the growth stocks, which seem to have fully discounted a big improvement in earnings. With Washington now taking a look at speculative activity, the chances are that some of the demand for high-priced growth issues will lessen, and that there will be a narrowing of the extremely wide gap between the price-earnings ratios of growth stocks and the cyclicals.

## SEC forces Townsend Growth Fund into court for reorganization under bankruptcy laws

Under heavy pressure from the Securities & Exchange Commission, Townsend Growth Fund, Inc., last week went into federal court for "voluntary" reorganization under the bankruptcy laws. Townsend Growth, which is one of several concerns controlled by the group associated with embattled financier Morris M. Townsend, thus became the first mutual fund to be forced into reorganization. Its assets—now amounting to some \$2.4-million, down by almost 50% in the last 18 months—were frozen by the court.

The plight of Townsend Growth is a direct outgrowth of SEC charges last month that Townsend and his associates had indulged in "numerous past and continuing violations of the Investment Company Act of 1940" (BW—Apr. 29 '61, p104). The charges were part of an SEC move to have a court-appointed receiver named for two other Townsend companies.

Townsend Growth's troubles seem to stem from the fact that the fund's investment policy allows it to take a controlling position in a company's stock. At present, 60% of its assets are in securities of three controlled companies—securities for which there is no ready market. Moreover, since last fall, Townsend Growth has been blocked by the SEC from selling new shares because of a dispute over evaluating one of these holdings, Modern Engraving & Machine Co. Thus, with its

access to new money cut off and share redemptions rising, the fund had little choice but to go under the court's umbrella.

## British mutual fund distributor offers insurance to buyers against capital loss

Unicorn Securities Ltd., a mutual fund distributor in London, has come up with a unique wrinkle in selling fund shares that's causing comment on both sides of the Atlantic. On May 1, Unicorn offered 2-million shares of Falcon Trust, an income fund, at 5 shillings 4 pence (about 75¢) each. This was routine, but purchasers were given an option—on payment of a premium of about 5%—to insure their shares against capital loss for a period of 10 years.

The London & Edinburgh Insurance Co., Ltd., will guarantee the purchase price for any Falcon Trust shareholder who is willing to hold his stock for 10 years. The policy lapses only if the shares are sold, and the guarantee cannot be transferred except to a trustee of the original owner or to the beneficiaries under his will.

Unicorn claims that the offering was highly successful. Since May 1, 4.5-million Falcon shares have been sold, even though the insurance guarantee was limited to the first 2-million shares sold. And the company is at work on plans to extend the insurance to shares offered on a continuous basis, as well as to shares of other funds in its stable.

How far this will spread isn't clear as yet, though both British and American underwriters are "mulling over the idea." Said one London broker: "Either this is just another selling gimmick, or it's the greatest thing since the invention of the wheel."

## Sale price of Honolulu Oil Corp. shows dying can be profitable

The market adage that "some companies are worth more dead than alive" stood up this week in the case of Honolulu Oil Corp., a West Coast crude producer.

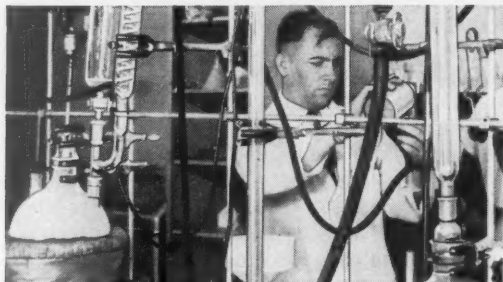
Honolulu directors announced a deal for sale of the company's assets partly to a subsidiary of Standard Oil Co. (Indiana) and partly to Tidewater Oil Co. for a total cash price of about \$380-million. This works out to about \$100 for each Honolulu share. Honolulu plans to liquidate, and will pay out about \$95 a share within 10 days after the deal is closed—probably sometime this summer. The other \$5 will follow within a few months.

For more than a year now, trading in Honolulu (which sold as low as \$40.75 in 1960) has been dominated by knowledge that the company was up for sale to the highest bidder. Even so, the market undervalued the asset play in Honolulu by a substantial margin—last week, before word of the sale price leaked out, the stock was trading at about \$82 a share.

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# Showdown in airlines fight

Unsettled dispute between pilots and flight engineers will test Administration's new labor policy.

Government will order solution if parties can't agree

The Kennedy Administration, beset by a rash of critical labor disputes in its first four months, next week faces a showdown in the toughest one of all—the airlines controversy.

This will provide the first climactic test of the Administration's developing labor policy and a first look at the solutions the Kennedy labor experts may have for unions faced with job troubles caused by automation.

**Report due.** Barring an unexpected settlement, Nathan P. Feinsinger on Wednesday will hand Pres. Kennedy a fact-finders' report on the bitter contest between the Air Line Pilots Assn. and the Flight Engineers' International Assn. over assignments to the engineer's job on jet airliners.

Feinsinger, a University of Wisconsin labor professor and former government labor expert, was named chairman of a three-man Presidential commission last February, to halt a six-day wildcat strike by engineers on seven major airlines. The engineers walked out in protest against an order by the National Mediation Board requiring an election to determine which union should represent engineers employed by United Air Lines.

The Flight Engineers, the smaller union, claimed they would be swallowed up by the pilots' union, and that the engineers would lose seniority rights and jobs to the pilots. The election had been requested by the Air Line Pilots, which seeks jurisdiction over the engineers on jets.

For the past two weeks, the Feinsinger panel has worked intensively with the two unions and the airlines—American, Trans World Airlines, Pan American World Airways, Eastern, National, Western, and Flying Tiger Line—but without success. With Labor Secy. Arthur Goldberg and Federal Aviation Administrator Najeeb E. Halaby joining in, the panel finally warned union and airline officials that the government would order a solution if one wasn't reached voluntarily.

**Alternatives.** These are the choices that the Feinsinger panel now faces:

1. It can recommend administrative action by the White House or legislation by Congress that would block resumption of an engineers' strike, which the Administration says is "unthinkable."

2. It can accept the engineers' proposal for trimming working hours (from 85 to 70 hours a month) and get a settlement. The engineers believe the cut in hours would create sufficient jobs to ease the pilots-engineers conflict; while the feud is over jurisdiction, job security is at the root of it.

3. It can offer its own framework for settling the dispute. Even though this framework might not be specific the panel would have more time to come up with the final answer, if the parties accepted the preliminary presented by the commission.

The third course is the likely one. But, through it the Administration puts to a sharp test its system for containing labor disputes by sending them to mediation panels.

**Panels used.** Since January, Goldberg has successfully prevented or halted critical disputes by turning them over to a panel of experts. The

New York tugboat strike—the first dispute of the Administration—was ended this way, and then came the engineers' dispute. Current missile base labor controversies also appear headed for a mediation panel. Goldberg favors this approach.

But, where the disputes were stopped at least temporarily by such maneuvers, they were not settled. The Feinsinger airlines panel is the first to come up to a deadline.

Out of these contests, the Kennedy Administration has been shaping a concrete labor program. It differs markedly from the Eisenhower Administration's "hands-off" policy, with Goldberg stepping quickly into trouble spots as they show up. The new policy is based on the premise that disputes now are likely to result from such deep-seated issues as automation and jurisdiction, and cannot be settled without public harm by ordinary bargaining; they need the long-range planning that an outside group of experts might develop.

Though the Administration appears able to sell the panel method to the disputants, it's something else again to win acceptance of panel solutions. Because of this, panels try to help the parties by mediation more than to devise a solution.

This is where the Feinsinger panel ran into trouble. Despite around-the-clock sessions in the Labor Dept., the Feinsinger group was unable to influence an agreement. It was then that Administration officials bluntly laid out its alternatives.

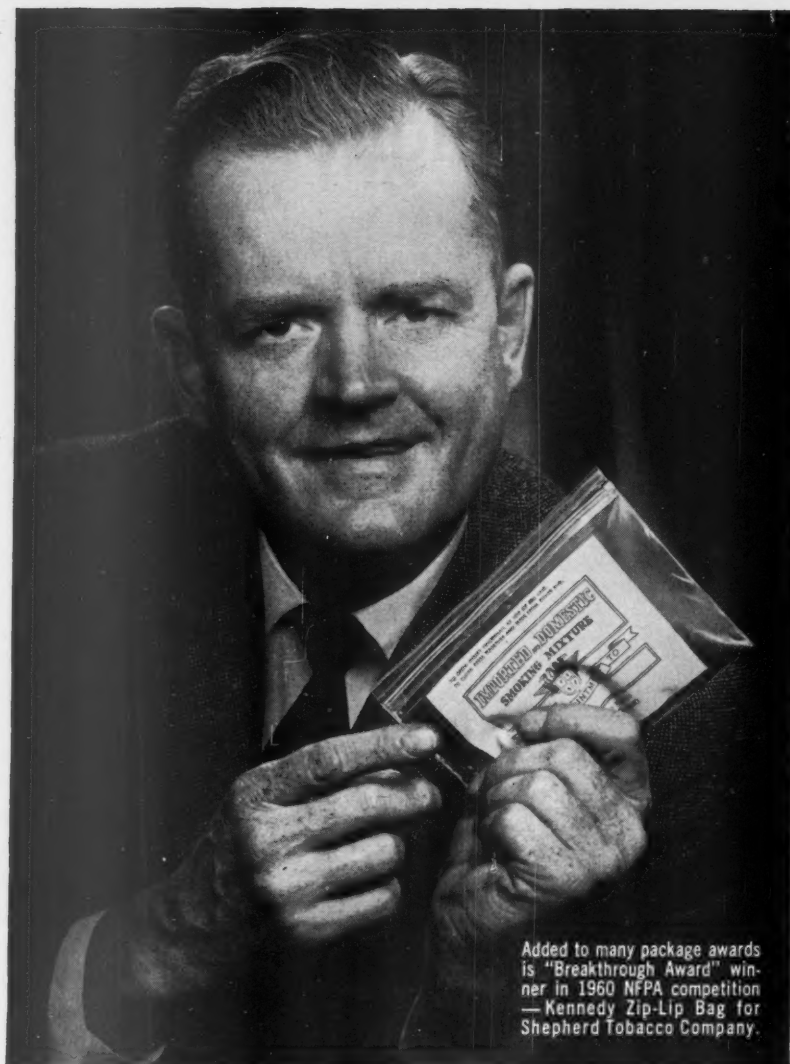
**Warnings given.** The Administration is hoping, above all, to avoid settlement of disputes by government fiat or new legislation. But its officials made clear that if this is the only alternative in the case of the airlines dispute, it is prepared to go this route.

In an unusually blunt series of warnings to the parties assembled last week at the Labor Dept., the officials made these points:

■ Goldberg: "We can go two ways. We can go the way of an agreement that you can arrive at here, or we

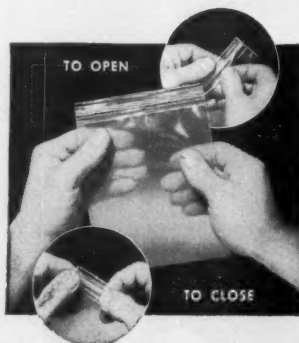


Economist Nathan P. Feinsinger will hand factfinders' report to Pres. Kennedy next week.



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can go the way of having the [Feinsinger] commission discharge its responsibilities by issuing recommendations for terms of settlement which nobody may like. We cannot permit a prolonged strike in the air transportation industry.”

■ Halaby: “There are several things the government can do. (1) Educational. It can help to mold public opinion, enlighten it, and give it some guidance . . . (2) Administrative. There already exists powerful legislation that enables government members of the aviation community to take action . . . (3) Legislative. We stand ready to propose legislation, if that proves necessary and the best course. I believe Congress [is] impatient and intolerant of any further disruptive warfare . . .”

■ Chmn. Francis A. O'Neill of the National Mediation Board: “I need not repeat what the consequences would be in the event of failure. Please do not let that happen.”

■ Feinsinger: “. . . I would not advise any of you to rely upon the commission and what we might recommend to the President, if we go that route, in the hope of securing a favored position.”

Despite the warnings, the mediation sessions failed to work. The Flight Engineers, during the conferences, offered their own solution that they claimed would not only protect their own jobs but benefit the industry as well. Their answer was one that unions generally have been voicing as the solution to unemployment caused by automation—the shorter work week.

In the engineers and pilots case, the working time is registered by the month. Current regulations provide 85 hours a month flying time for airline crews. The engineers union proposed this be dropped to 70 hours, which it said would save jobs of pilots and engineers threatened by the increasing use of jet airliners and also eliminate what the union termed as flying fatigue that has developed from flying the faster, more complicated jet liners. Health and safety considerations are involved, the union says.

It is highly unlikely the Feinsinger Commission would accept this shorter work time proposal. Pres. Kennedy has stated his opposition to the shorter work week as the solution to unemployment caused by automation. For the panel to adopt this approach on the airlines would constitute implied acceptance of the idea for labor generally and would be sure to be picked up by other labor unions. **End**



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Now, get the go, room and "all-day" ride of the big cars . . . plus the savings and ease of the small . . . all in this new Buick Special!

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\*Aluminum Dual-Path Turbine Drive — optional at extra cost.

## BUICK SPECIAL

## **Finnegan appointed to head New York State Board of Mediation**

Joseph F. Finnegan, who ended six years as director of the Federal Mediation & Conciliation Service on Apr. 1, will head the New York State Board of Mediation as full-time chairman effective June 1.

Finnegan figured prominently in FMCS activities in national labor disputes—including the steel negotiations in 1956 and 1959—although he often was overshadowed by former Labor Secy. James P. Mitchell.

Before the FMCS appointment, Finnegan was active in labor law, arbitration, and industrial relations work in New York.

## **New California company plans to sell strike loss insurance to farmers**

California farmers may be able to take out strike insurance this fall.

Last week, the State of California approved a new corporation—the Agricultural Exchange Corp.—to provide strike loss insurance up to 75% of out-of-pocket costs for farmers with growing, harvesting, transporting, or processing losses caused by “labor disturbances.” The plan is expected to be operating by August, in time for peach, apple, and tomato harvests.

Growers were instrumental in setting up the insurance plan. One worked out in 1949 died when unions dropped organizing efforts.

Before taking insurance, a grower must certify that no labor disturbances are imminent in his operations and must pledge that he will not provoke labor trouble by substandard wages or working conditions. Proposed rates range from a top \$4 per \$100 for highly perishable asparagus to \$1 per \$100 for citrus, avocados, onions, cotton, sugar beets, nuts, hay and grain, and flax. A policy will cover only a single crop.

## **Two unions pledge to share strike funds in fight against possible pay cuts**

Two feuding textile unions have signed a “limited mutual aid pact” to fight possible wage cut demands in the synthetic yarn field. Reports that American Enka Corp. would seek a wage cut this year prompted pledges that 18 locals of the Textile Workers Union of America and United Textile Workers will support each other with strike funds if any of them walks out to resist a pay cut.

American Enka has a contract with UTW. But Wesley W. Cook, TWUA synthetic yarn director, emphasized that a wage cut anywhere in the industry might set a pattern for other mills, including those represented by TWUA.

The two international unions have a long history of

hostility. UTW Pres. George Baldanzi—who conducted the pact negotiations for his union—is a former TWUA executive vice-president who “seceded” from TWUA with a group of locals after being defeated in a bid for the presidency.

## **National Maritime Union in alliance with Teamsters despite AFL-CIO ban**

The National Maritime Union has contracted a formal alliance with the International Brotherhood of Teamsters, presumably to strengthen its hand in negotiations with the 74 ship operators whose NMU contracts expire June 15. AFL-CIO policy forbids dealings with the Teamsters, who were expelled from the federation for alleged corruption.

Several unions have informal working agreements with the Teamsters, but this is the first official alliance to be formed by an AFL-CIO affiliate.

Initially, the pact included the International Longshoremen's Assn., whose Pres. William V. Bradley accompanied NMU Pres. Joseph Curran to Washington to meet with IBT Pres. James R. Hoffa. This midweek, ILA's executive board, meeting in Houston, ordered the union's withdrawal from the agreement.

ILA is on probation in AFL-CIO. The board felt the pact might cost ILA a place in the federation.

According to IBT spokesmen, the initiative for the pact came from Curran and Bradley. Curran is an AFL-CIO vice-president and a member of its executive council and Ethical Practices Committee. In 1958 he cast the only vote against putting cooperation with the Teamsters out of bounds for AFL-CIO unions.

The NMU, representing 40,000 seamen aboard 625 ships, is seeking a 34-hour week in current negotiations. Maritime observers report little progress and see a real possibility of a strike.

## **Enlarged center for training, research in new processes started by printers**

The International Typographical Union has begun work on a New Processes Training & Research Center at Colorado Springs, Colo., where experts will instruct ITU members in the use of newly developed printing equipment. The center will also field-test experimental equipment for manufacturers.

Both services have been available for several years at the ITU research center in Indianapolis, but this facility has become overcrowded, union officials said. The new building will have a capacity of 30 students. They will attend a six-week course, then return home to instruct fellow members in new processes.

Due to open this fall, the Colorado Springs center will be the first unit of a new \$1.6-million national headquarters. The ITU expects to move from Indianapolis next year.

May 20, 1961

## How good is your local high school?

With the end of another school year in sight, this may be a good time to assess the quality of your community's high school—and to decide if it's equipped to give your youngsters the right sort of education.

You shouldn't wait until the children are already entering the 9th grade or, worse yet, are facing the problem of admission to college. Educators say a parent's evaluation of the local high school should be firmed up, if possible, by the time the kids are halfway through elementary school.

Don't hesitate to start investigating the subject so early.

## Candor is best approach

You should feel free to ask tough questions about what the school does and doesn't offer. Most probably, the answers will be quite straightforward.

But keep one point in mind during your talk with school officials: **Their job is to educate all segments of the population**, including (in most cases) youngsters headed toward routine jobs. If you take an understanding attitude toward this over-all function, your reception is likely to be warmer.

Don't worry if the principal talks about trying new ideas and programs on a temporary basis. Experimentation of this kind is a healthy sign. In fact, **these days it may be the rigid, formalized program that needs a closer look.**

Bear in mind, too, that the size of the school makes a great difference in programs. Schools with senior classes of 100 or fewer students, say, can't be expected to offer the kind of specialization found in many larger schools.

## Standards for judging

Here are some standards for guidance in taking stock of your school—based on recommendations of former Harvard Pres. James B. Conant and on practices followed in many top-rated schools:

**There should be one full-time guidance officer for every 250 to 300 students in senior high school.** Most of their time should be spent working with students and parents on special problems, such as the high-IQ type who under-achieve—and, of course, on placing seniors in college.

This is such a big job that some experts say a good guidance man with few other duties can effectively handle only 100 or so college placements in a single season. In slack months, the guidance staff should tour college admissions offices, not just nearby but in a wide geographical and academic range.

## Stimulating the gifted

Students should be grouped to give bright kids greater opportunity, slow learners less frustration. **For the top 15% to 20%, the school should offer four years of mathematics, four years of a single foreign language, and three years of science.**

Summer courses should be open to bright students who want to enrich their programs. And "advanced placement"—where a top honors student takes one or more freshman college courses for advanced credit in the 12th grade—should be available or at least in the planning stage.

**In English**, composition should take up about half the total teaching time in four years; a teacher should handle only about 100 students over-all.

**In government**, a 12th grade course in American government and current problems should be required, with open discussion of controversial issues.

**In reading**, the school should have a program for all students who want to increase speed and comprehension—with the help of visual aids. And from the 9th grade on, slow readers should receive remedial instruction.

## Personal business Continued

### Placement record is a key

There's one handy way to tell in a hurry how good the high school is: Look at its past record of placing seniors in college—and at how well these graduates do when they get there. Most schools have tabulated such information college by college and will display it on request.

If your school is fairly new, or if it has recently been upgrading itself drastically, you can't lean too much on the placement record, of course.

Two other tests to apply to the school:

- Class size—this should average about 25 students in high school.
- Teacher salaries and per-pupil expenditures—if these rank low in comparison with neighboring school districts, something may be wrong.

### Adding up the score

If your school measures up on all but one or two of these points, it's probably excellent. But if it's weak in a number of areas, there may be a serious question as to its basic quality.

Is there anything you can do about it? For one thing, you can step up your personal activity. This may mean simply closer rapport with school guidance counselors and teachers—or it may take you as far as getting elected to the school board. Short of this, you can attend board meetings, listen to arguments, and express your own opinions.

If the school is too weak, of course, you may want to think about moving to another neighborhood or suburb with better schools.

Sending your youngster to a private prep school is another possibility. Here, one sensible first step is to write a general inquiry to the new Secondary Schools Admissions Center, P. O. Box 34, Suffield, Conn.

### Reading for rod and gun sportsmen

Some subtle tricks for fishing in fresh and salt waters are revealed by a Rutgers University expert, James Westman, in *Why Fish Bite and Why They Don't* (Prentice-Hall, \$3.95). Dan Holland examines the where, when, and how of gamebird hunting in *The Upland Game Hunter's Bible*—with detailed maps of North and Central American gamelands (Doubleday, \$1.95). And sportsman-chef Ted Karry tells how to handle and cook fish and game in *The Sportsman's Cookbook* (Doubleday, \$3.50).

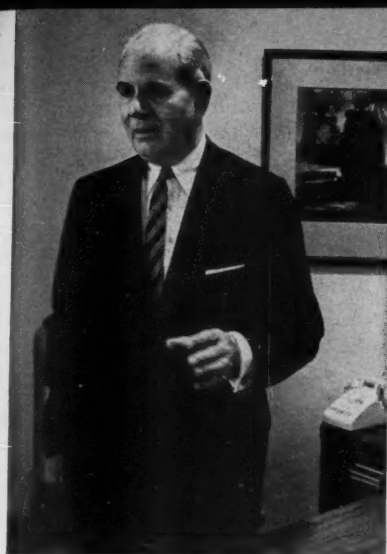
If you want to train a gun dog thoroughly and quickly, there's a new method based on the theory that the training should start on the dog's 49th day. It's described in *Gun Dog* by Richard Wolters (Dutton, \$5.95).

*Hunting With Camera and Binoculars* by Francis Sell gives inside tips, from the fine art of calling game to best filters and films (Chilton, \$2.95).

### Potpourri

You can get permanent weather-cover for patios and play areas with transplantable posts; aluminum covering moves on the awning principle (Aluma-roll, 69 Meadow Rd., Rutherford, N. J., \$695) . . . Your dentist can tell you about a new Squibb electric tooth brush, Broxodent—110-volt motor in handle oscillates brush 60 times a second (\$19.75) . . . Easy to operate, Polaroid's new self-setting Electric Eye camera Model J66 takes a 3¼ x 4¼-in. picture, delivers print in 10 seconds (\$89.50) . . . And a binocular for those who wear glasses has a lens system that compensates for increased distance from eyes—also convertible eyecups of soft rubber (Carl Zeiss, Inc., 485 Fifth Ave., New York 17) . . . Views of world affairs by political observers abroad are featured in a new American monthly, *Atlas—The Magazine of the World Press*; articles are picked from some 300 foreign publications (31 West 57th St., New York 19, \$7.50 a year).

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Armco Pres. Logan T. Johnston: "Whether they like it or not, U. S. steelmakers compete in an international market."

## INDUSTRIES

# The foreign challenge facing steel

Increased efficiency and capacity of European and Japanese mills have turned U. S. export surplus into a deficit

Companies like Armco Steel are hoping to buck this trend with new products and technology

On the home front, new inventory practices and more specialized products should help to restrict imports

It's widely believed that aluminum, concrete, and plastics have stunted the U. S. steel industry's growth by invading its markets. Yet none of these materials—and probably not all three put together—has hurt the U. S. industry as much as the post-war revitalization of West European and Japanese steel capacity.

Largely through U. S. foreign aid, steel mills abroad were rebuilt, modernized, and expanded. As a result, instead of exporting more steel than it imports, the U. S. gradually turned to buying more abroad than it sells there. The export surplus became a deficit.

**Sizable loss.** Domestic producers have lost an export market that, net, averaged 3-million tons a year from 1950 through 1958. Now, after 27 months of deficit that averaged 1.4-million tons a year, the best that U. S. producers can see this year is an export-import standoff. For the

future, our remaining exports—light, flat-rolled, and coated steels—face severe competition.

All this is direct loss. You can magnify the damage by adding the indirect losses implicit in several hundred thousand foreign car imports a year. And some steelmen argue that any total should include the tonnage U. S. producers now would be selling abroad had they maintained their former percentage share of foreign markets that are now vastly expanded.

### I. New problems, new leaders

So, understandably, U. S. steelmakers are pretty preoccupied with foreign competition. Not only do they need the business they've lost, but they also need their traditional share of what has become a lush growth in world steel markets. Perhaps most of all they need an im-

proved competitive position to insure that the low-priced product from new foreign plants doesn't flood the U. S. market any time foreign demand falters.

**Experienced exporter.** One approach to these problems comes before the industry next week at the annual meeting of the American Iron & Steel Institute. It will be presented by Logan T. Johnston (cover), president of Armco Steel Corp., sixth in steelmaking capacity in the U. S. last year and fourth in revenues. Armco probably has done more kinds of business, in more world steel markets, for more years, than any other U. S. producer.

Inevitably, what Johnston will emphasize is a plea that U. S. steelmakers take the attack with new and better steel products. This has been Armco's way of life for 60 years—and it took the company abroad when it had barely become a teenager.

This was in 1912, when an order came from Brazil for corrosion-resistant culverts. The end product—of Armco Ingot Iron—was almost the company's first specialty product. By 1913, Armco was shipping sheets to Brazil for fabrication there. That led to warehousing of related products and tools. What began as

an export venture rapidly evolved into an international steel company. Today, all Armco operations outside the U.S. and Canada, with one exception, are handled by Armco International Corp., which has 41 sales offices and 39 warehouses abroad.

**Product development.** Soon after its first foreign venture, Armco began licensing its products and processes abroad. Armco organized the first research department in the steel industry in 1910, and the company developed quite a few new products and processes, including some of the industry's most fundamental.

Ingot Iron, for example, not only made possible a huge and profitable domestic and export drainage products business. More or less by accident, it also was found to be superb for enameling sheets. That opened substantial structural markets.

Silicon-bearing electrical sheets, produced at the request of George Westinghouse, were the first Armco research project. Later, in the mid-1930s, the company perfected the first grain-oriented silicon steels, a practically revolutionary new electrical material. As with drainage products and enameling sheets, development of electrical steels continues intensively today.

In 1924, Armco literally remade the steel industry when the superintendent of its plant at Ashland, Ky., John Tytus, perfected the first continuous wide sheet mill.

That made possible the all-steel automobile body and autos designed for style as well as for strength. Today, 45% or more of all steel products flow from descendants of Tytus' original wide hot mill.

**Overseas operations.** Today, as well as licensing such developments, Armco International operates 13 manufacturing plants in 11 countries. Some get their raw material from Armco, some buy it abroad.

With three exceptions, the foreign plants are wholly owned by Armco International. After 50 years' experience, Armco shies away from joint ownership abroad. It does not hesitate at all to risk its own capital or to sell its brains. But mostly it avoids impermanent affiliations or inconclusive control.

Sixty years after it was organized to make roofing sheets, Armco has become the fourth billion-dollar producer in the domestic steel industry, thanks to new products, research-oriented technology, and a worldwide view. In foreign competition, Johnston recognizes a severe test ahead, even for his own export-minded company. But it's not a problem that frightens him.



"U. S. steelmen can fight foreign competition without a hike in tariffs or quotas."

You couldn't really blame the U.S. steelman who admitted some real fear of foreign competition. The principal reason is costs.

"The fact is that today, foreign producers' costs are below ours," says Chmn. Avery C. Adams of Jones & Laughlin Steel Corp.

**Controversial issue.** Steel management insists that its disadvantage lies in employment costs, although steel labor denies this. This bitter dispute contributed to the 116-day steel strike in 1959 and may very well help breed another shutdown 13 months from now. So, in 1962 the producers will be bargaining for a contract in which employment costs do not rise higher than productivity. That's fundamental to steel's foreign competition strategy.

## II. Costs and prices

Actually, it's difficult to settle the employment cost issue, because it's all but impossible to learn the true costs in foreign steel plants. No one argues that offshore labor rates aren't far below ours. But true employment costs also involve non-wage costs. Abroad, these often involve benefits U.S. companies do not pay. And the secrecy obscuring manhours-per-ton figures complicates the problem.

**Pricing policy.** Another fundamental problem—pricing philosophy—racks U.S. steelmakers. U.S. producers are high priests of the single price. That means their operating rates vary with demand at the desired prices. Most foreign producers, on the other hand, load their mills as close as possible to capacity, then price to sell the product in both domestic and export markets.

It's possible that Europe's dual-price volatility may tend to disappear as producers get more accustomed to dealing in the Common Market. Meanwhile, though, this pricing conflict makes the U.S. a prime target for any European who has capacity to sell. How could it be otherwise, since this country is the world's biggest single steel industry and it pays the world's highest prices?

**New problems.** Employment cost and pricing problems are no less thorny simply because they're old. But now there are some pretty mean new worries for U.S. producers. For example:

- Europe and Japan both are adding new capacity as hastily as the U.S. did during the 1950s. This year, Great Britain and the European Coal & Steel Community will spend about \$1.1-billion on new plant. That's only a little bit less than the \$1.2-billion U.S. producers have budgeted.

- Those funds buy plant that's as modern as our best. Formation of ECSC has created a tariff-free steel market almost as large as ours. With regional barriers eliminated, it now makes sense for European producers to install the high-capacity, special-purpose equipment we've been developing for years—the kind that makes a big cut in manhours per ton. This trend costs us an advantage we have enjoyed until now.

- Most serious, Europeans are concentrating on modern continuous wide sheet mills. They've had few until recently. Now, at least eight are being installed in Britain and ECSC.

This poses a major threat to us because since 1950, an average of 27% of our exports have been sheets and strip.

But that's not all. Tinplate, our second-best export product (averaging 20% since 1950), may be in trouble, too. Tinplate also is a product of the continuous wide sheet mill. And the Europeans' next step logically will be to upgrade some of those sheets into tinplate.

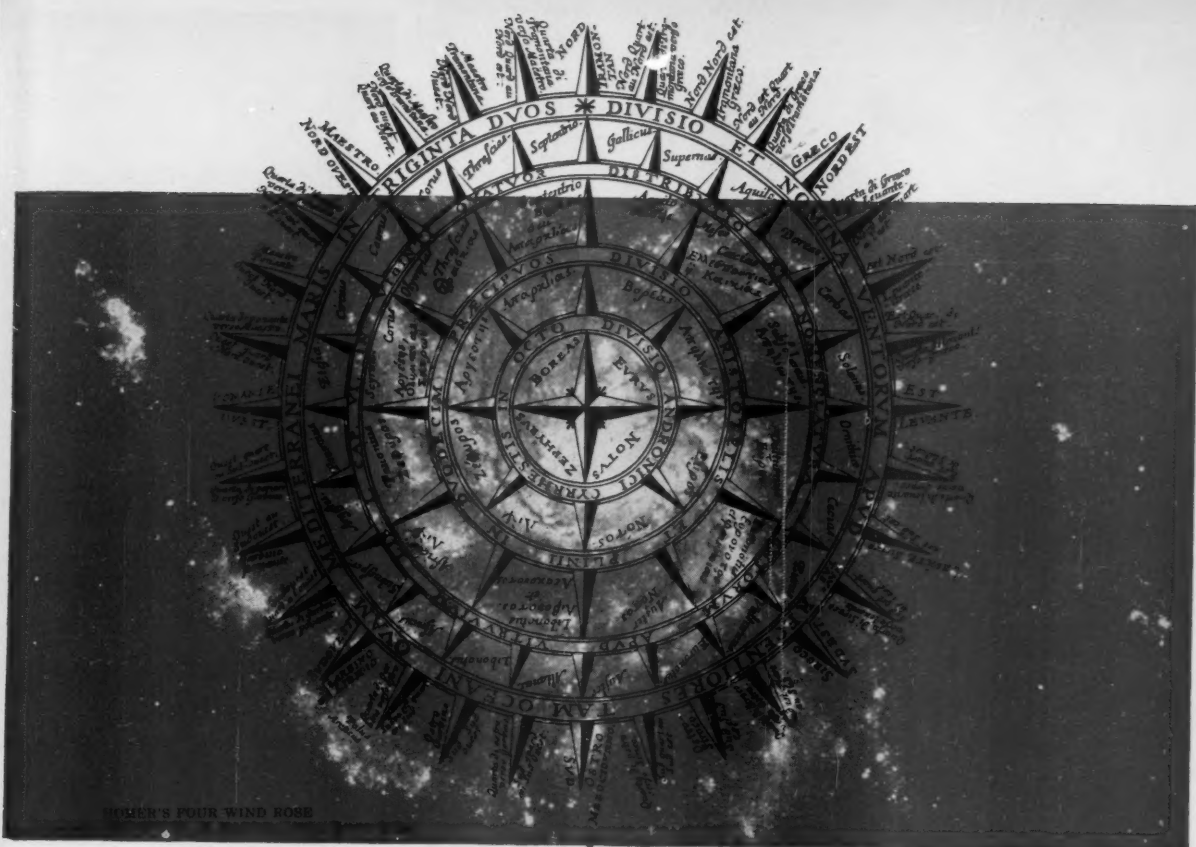
It would take no end of new American specialties to offset the 2-million product tons that our sheet and tinplate exports totaled last year.

## III. The answers

When your competition enjoys lower costs, the remedy is obvious—lower your own costs. U.S. producers are spending better than \$1-billion a year to do just that.

But that's not the only resource the Americans have to fight foreign competition.

**Inventory revolution.** The 1960

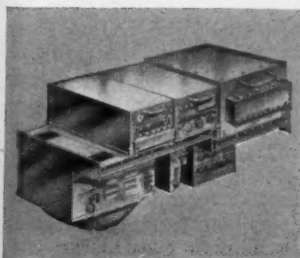


## When Homer Found Home

The Odyssey of Homer developed the true concept of direction. His naming of the four winds divided the horizon into quadrants, giving rise to the wind rose as an aid in dead-reckoning. But, variable wind was still the major uncertainty that he encountered.

To modern jet pilots, wind is still the greatest variable in air navigation. Out of contact with visual references and often over unfamiliar territory, the jet pilot finds wind a most important determinant for mission success. By navigating with ground track velocity instead of air track velocity and meteorological wind, mission success is enormously improved.

The self-contained doppler navigators made by LFE measure ground track velocity with an accuracy better than 0.1%. They are small in cubage, efficient in aperture utilization, low in power consumption, almost impossible to detect, and operable over extremes of altitude, temperature and meteorological conditions.



LFE Self-Contained Doppler Systems provide all-weather navigation for fixed-wing, rotary-wing and V/STOL aircraft. Features are:

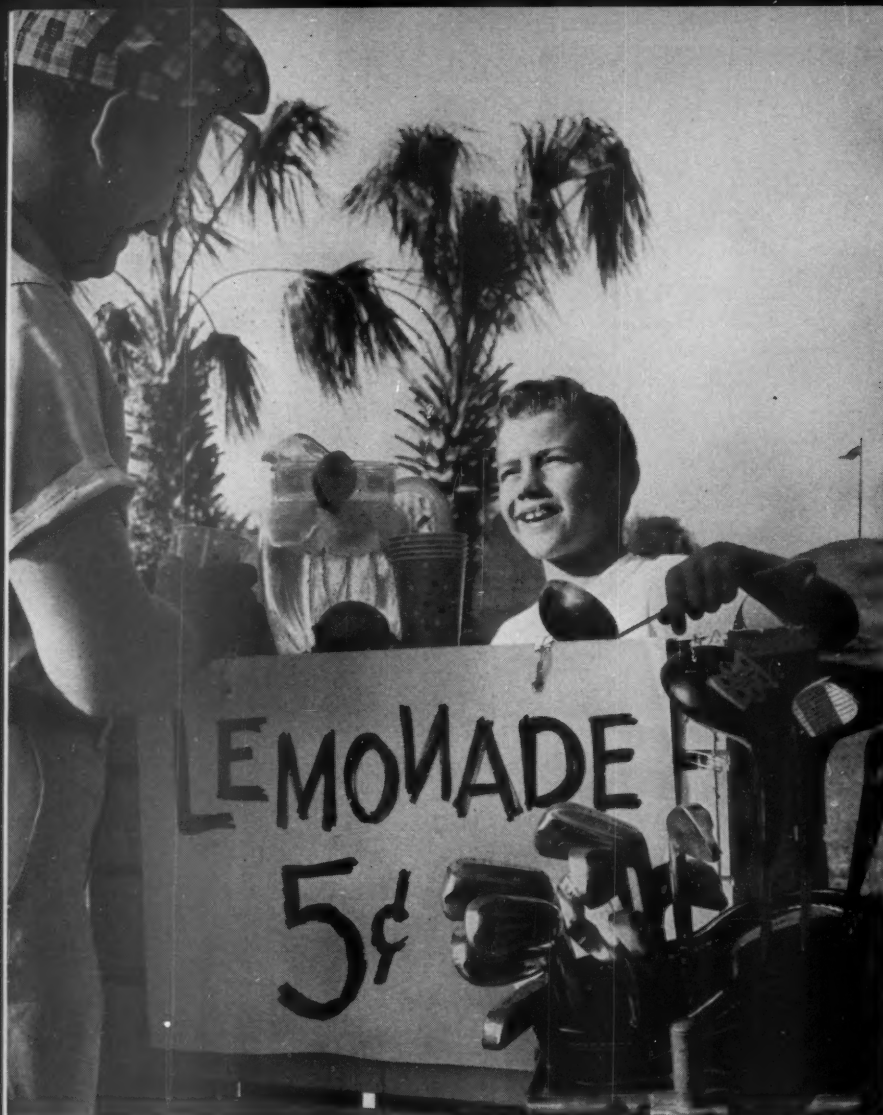
- Altitude-controlled ICW modulation • Complete weapons system integration with bomb navigation systems, autopilots, map displays, terrain clearance indicators and plotting boards • Single antenna aperture for all beams • Dielectric lens or planar array antennas • X-Band or Kc-Band frequency • Analog outputs for pilotage displays. Write to Department PI-24 for further details on the outstanding characteristics of LFE Airborne Doppler Systems.



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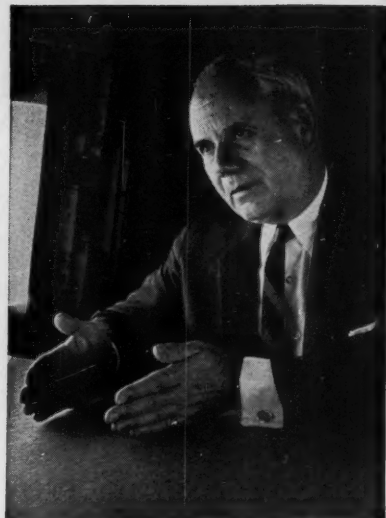
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**"When you have a business problem, it should be solved by business, not the government."**

revolution in the inventory practice of U.S. steel buyers affords the domestic industry an important advantage. Now that steel is no longer in short supply, steel users have abandoned their practice of filling their warehouses with steel, as they had since 1946. From now on, the producers will carry the inventory for their customers.

That will make life tough for the offshore producer, for somebody will have to stockpile foreign steel in the U. S. if it is to compete with overnight mill shipments.

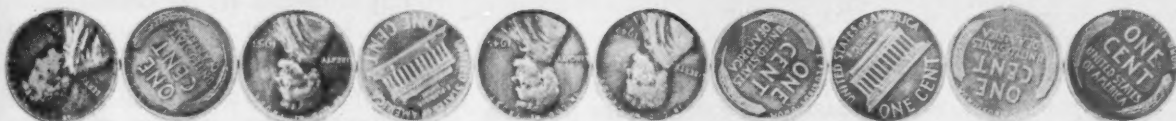
**Made to specification.** Another new market development that constricts imports is the nature of the product. On standard sizes and gauges of conventional carbon grades, the domestic producer is hard-pressed on price. But increasingly, U.S. steel users are demanding "specification material." They need a better product. And often they want it finished by the mill in such fashion as to eliminate one or more fabricating steps.

Simply because they must, U.S. steelmakers now sell exactly that kind of quality and service. They think in terms of selling 90 tons of more useful steel where they once sold 100 tons—steel that does an equal or superior job at lower or equal cost. In part, it's the result of the buyer's market and the profit squeeze that plague most U.S. manufacturers. The offshore supplier simply isn't geared to such competition in this country.

Still another competitive plus—which affects both products and costs—is the strikingly greater dependence domestic steelmakers place on



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Information for Management

# 79 ideas

on cutting costs of cleaning and  
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research. Already, they have accomplished some drastic cost reductions. Foreign producers, for all their new investment, will have to stretch just to keep even with the research-based productivity of the better U. S. producers

**Raw materials cost.** U. S. steel-makers also have an edge when it comes to raw materials costs. Domestic producers probably have about a 5% advantage on Europeans in this area, perhaps twice that on Japan.

And we have other advantages. Foreign employment costs are rising under the impact of very good business and some labor shortages. Yet, in the 1959 contract negotiations, U. S. producers were able to keep employment cost increases close to productivity increases.

**USS approach.** For its part, U. S. Steel Corp., the industry leader, takes a somewhat different approach from Armco's to the problem of maintaining a big position in a world steel market. Like Armco, it will emphasize specialties—whether outstanding steel products or services involving steel, such as bridges and other specialized structures, ore, melting, or finishing knowhow.

But USS thinking goes beyond that. Based on its new commercial approach (page 47), USS envisions a lot of its steel export business in the form of its U. S. customers' end products—even though it does not anticipate a serious decline in its own exports of steel mill products.

Then, too, it's almost certain USS is a little less overwhelmed by the low-wage advantage of offshore steel producers than some other U. S. producers seem to be. USS set out many years ago to make itself the most efficient domestic producer. Broadly, it succeeded. It's not beyond reason to figure that USS may see its next goal as becoming the world's low-cost producer.

From the viewpoint of the entire domestic steel industry, of course, such an approach has its limitations. It does nothing for the small regional producer, of which Atlantic Steel Co. is probably the classic example.

**Bigger market.** But for the industry as a whole, the fabulous growth in the European steel market is a hopeful sign. Its growth far exceeds that projected for our own market. And the dollar gap of a decade ago has disappeared. Thus, there's a lot of business to be done in West Europe, something that wasn't true early in the 1950s.

Somehow, U. S. steelmen simply don't believe they can be shut out of that kind of market forever. **End**



## The Hollow Tree Story . . . How Heller Money assembled the pieces of a corporate picture puzzle

It was in June 1956 that Bill Moores, President of Hollow Tree Lumber Company, Ukiah, California, told Heller about his wish to expand. Hollow Tree wanted to acquire the standing timber of two other companies. A couple of big sawmills, drying and finishing plants, rolling stock and a lumber inventory were also involved. So was the question of producing and profitably selling several million more board feet of lumber annually.

Heller recognized that Hollow Tree could operate on a more profitable basis with the proposed expansion program. A combination of several methods of Heller financing was indicated. Heller Factoring created the cash flow required for working capital needs. Heller funds, combining inventory and machinery and equipment financing, provided the purchase money immediately required to make the acquisition—additional profits from the expanded facilities would easily complete the term pay-out of the balance.

The result is a matter of record. At the dates of July 31, 1956 and March 31, 1960, Hollow Tree's ratio of net worth to sales volume remained constant at approximately one to seven, but net worth, in the interim, increased by 72%, sales by 65%.

Mr. Moores realized what he had envisioned—a picture greater than the sum of its original parts, and expanded profits without equity dilution.

Heller financing functions at nearly every level of nearly every industry. This enables Heller to help develop and prosecute the strategies which use money creatively, enabling progressive managements to realize their greatest potential. In these changing times you ought to know about Heller's various services—outlined in our newest booklet, "Financing Business Action Under Today's Conditions." Write for your copy—no obligation whatever.

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## NEW PRODUCTS

# Du Pont's versatile alumina

New form of a familiar material has unusual properties that suggest many new uses. Fibrous particles, made synthetically, are tinier than grinding could produce

**Alumina powder**, or aluminum oxide, is a familiar and widely used industrial material, but no one would ever recognize it in the new form that E. I. du Pont de Nemours & Co. is introducing. Du Pont calls it Baymal, says it is just about the most versatile chemical to emerge from its laboratories in many years.

Baymal has properties that suggest entirely different and far wider use than ordinary alumina. Alumina serves its greatest purpose as an intermediate stage of producing aluminum, though it has other uses in grinding wheels, ceramics, and other fields.

Du Pont scientists learned how to synthesize alumina in the form of microscopic fiberlike particles, so tiny that no amount of grinding could produce them. It is this fiber structure that gives Baymal its special properties:

- In water, Baymal forms a stable colloid instead of settling out like ordinary alumina powder. This is because the particles are small enough to behave like ions, carrying a positive charge.
- When such a colloid is evaporated, the tiny fibers interlock and lie flat, forming a uniform thin film over the surface of a material on which it is evaporated. This film can be bonded to the surface by baking.
- Baymal is wettable both by water and by oils and other organic liquids.
- When mixed with water to form a thick paste or gel, it shows another curious property. When the gel is shaken, it turns into a liquid; when the liquid is allowed to stand, it turns back into a gel.

**Finding its uses.** Baymal isn't yet in commercial production, and won't be until its uses have been explored further. However, du Pont has just started up production at Belle, W. Va., where it is turning out enough Baymal so sample lots can be delivered to potential customers for testing in end products. Sample lots are being sold for \$3.50 a lb., a figure that can be expected to be greatly reduced when commercial production starts.

Du Pont foresees—and its chemists are helping to develop—uses for Baymal in ceramics, textiles, paints and finishes, cosmetics, pharmaceuticals, glass, metals, high-temperature insulation, plastics and rubber, electrical and electronics industries, petroleum, paper, and the graphic arts.

**For example.** Some of the principal applications that du Pont visualizes and is trying first to develop for Baymal are these:

- Because it forms a thin film that tightly adheres to glass or metal when heated, it might be a useful inorganic adhesive. Most adhesives are organic.

- Because a solution of Baymal can be made to settle quickly into paste form, it could be used as a constituent of coatings that could be sprayed or brushed on a wall without dripping or running.

- Baymal's properties in forming a film could be used to help fix pigments or to coat metals and ceramics with electrical conducting or insulating coatings.

- When Baymal powder is subjected to both heat and high pressure, it forms an extremely hard and dense solid. Du Pont says it can be made nearly as hard as a diamond. Thus, it could be used to make metal-cutting tools.

- Since particles of Baymal take on a positive charge in water, they will be attracted to negatively charged surfaces, such as glass, paper, and many textiles, including such synthetic fabrics as Dacron and Orlon. Thus, a permanent coating of Baymal can easily be applied, and it would make the fabric resistant to stains and soiling. This could also be useful in the printing business.

- The fact that both water and oil will wet Baymal fibers makes them a valuable agent in keeping oils suspended in water (emulsions). This property may be used to advantage in hair preparations, skin lotions, and other cosmetics. Du Pont says Baymal will help a cosmetic to cling to skin or hair; moreover, it is an antiperspirant. **End**

# How to up-date weighing methods and prevent erosion of profits



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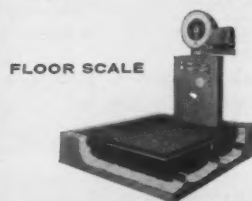
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# Industry tries living in caves

**Kansas City manufacturers find that mined-out quarries can make durable, inexpensive plant sites**

In the Kansas City area, and elsewhere around the country, space-hungry manufacturers are moving into habitations whose use is as old as the human race itself—underground caves. These caverns, however, are far different from the dark and musty lairs of our club-wielding ancestors. With fluorescent lighting, air conditioning, tile and wood paneling, and other amenities, their somewhat eerie interiors are being transformed into comfortable, modern work areas (pictures).

Industry, of course, has used caves for storage purposes for several decades. And during the last war, neutral Sweden moved much of its vital industry underground where it's still flourishing today.

Behind the present trend are two factors—the need for cheaper industrial sites and the very real advantages of making certain types of goods in subterranean plants.

**Cave dwellers.** Here's how the situation shapes up in the Kansas City area, which has taken the lead in the U. S. in developing and leasing underground manufacturing sites:

- Brunson Instrument Co., Inc., which makes high precision optical tooling and surveying instruments, has an elaborate, new subterranean home that's about 85% complete. Located 20 minutes from downtown Kansas City, the new factory and offices cover 140,000 sq. ft. in a limestone cavern that Brunson hollowed out to its own needs.

- J. C. Nichols Co., a large, local developer, which laid out Kansas City's swank Country Club Plaza District, is working on the 12-acre Bannister & Holmes Industrial

Center, which is completely underground. About 110,000 sq. ft. has already been developed, with 400,000 sq. ft. yet to go. Besides J. C. Nichols, the center has five other tenants so far, including a tool and diemaker, a toy manufacturer, an appliance repair company, and a soils testing laboratory.

- Inland Cold Storage Co., Inc., has almost 5-million sq. ft. of underground space, also billed as an industrial park. Up to now, Inland's main business has been warehouse space, but "we're gunning hard now for industrial tenants, and laying out plant sites that will catch their interest and imagination," says one Inland executive. Inland has two new tenants: Atlas Wire Products Co., which makes wire display items such as book and magazine racks, and Gregory Packaging Western, Inc., a small packager of frozen foods. A second frozen food packager will be moving in any day now.

- Downtown Industrial Park Co. has big plans for a split-level industrial park—tenants on the ground above and in a cavern below. On the bottom level, it has developed 400,000 sq. ft., is working on another 300,000 sq. ft., and has 800,000 sq. ft. more to quarry out in the future and develop. With the design and some of the basic improvements out of the way, DIP will soon contract for roadways, loading docks, paving, and the like.

- Pixley Co. in Independence, Mo.—about 15 miles from Kansas City—has 3½-million sq. ft. of cavern space—much of it unoccupied. To get things rolling, Pixley has just changed real estate companies and is



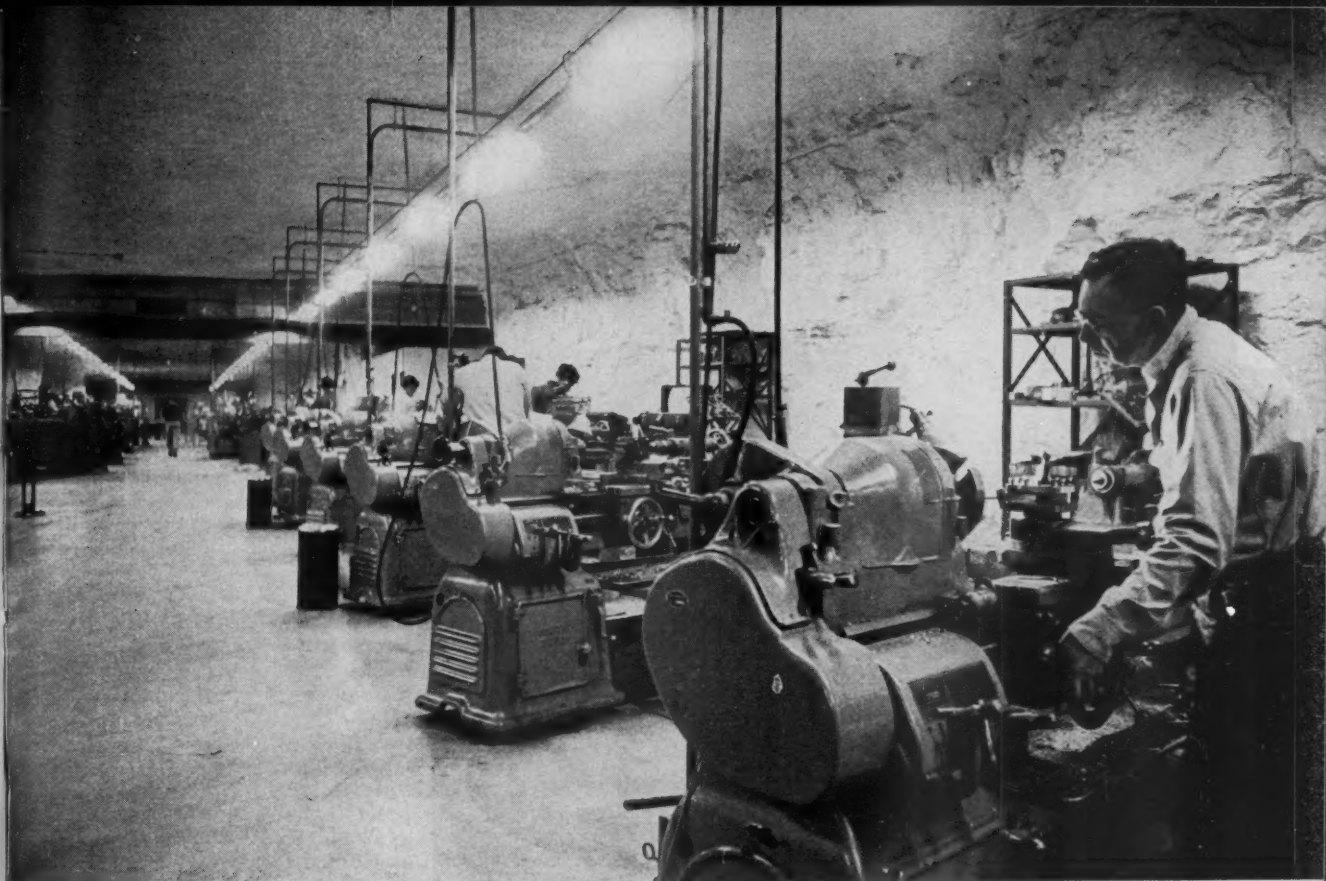
**Easy access** to subterranean industrial park is provided by roadway running 1,000 ft. underground to clients' doors.

mapping out plans for a railroad spur into the cave. Pixley clients reflect some of the rather bizarre diversity that's possible in underground leasing. They include a plastic boat maker, a chicken farmer, and an operator of an underground trout fishing stream—anglers fish on a fee basis.

**Part of a pattern.** Elsewhere around the country, there's a similar—though not quite so insistent—interest in underground sites. As in Kansas City, these are mostly abandoned limestone quarries. The difference is that in Kansas City, a number of manufacturers are being wooed—and won—into moving whole factories into the cool, somewhat eerie recesses. In other areas, underground space is used mainly for storage, or to harbor defense installations.

The real lead in underground manufacturing is held by Sweden, which has expanded its subterranean production facilities to cope with the danger of atomic war. Today, in long, rambling caverns that tunnel out far below the earth's surface, Swedish manufacturers produce everything from oxygen and fine optical equipment to airplanes and autos.

**Why go underground?** Besides civil defense—and in Kansas City, this is really a very small part of it—there are some real advantages that come with this mole-like existence. One large plus is the temperature underground, which seldom strays far from 56F-60F. About all that's needed for an ideal working temperature is a small air conditioner to dehumidify incoming summer air,



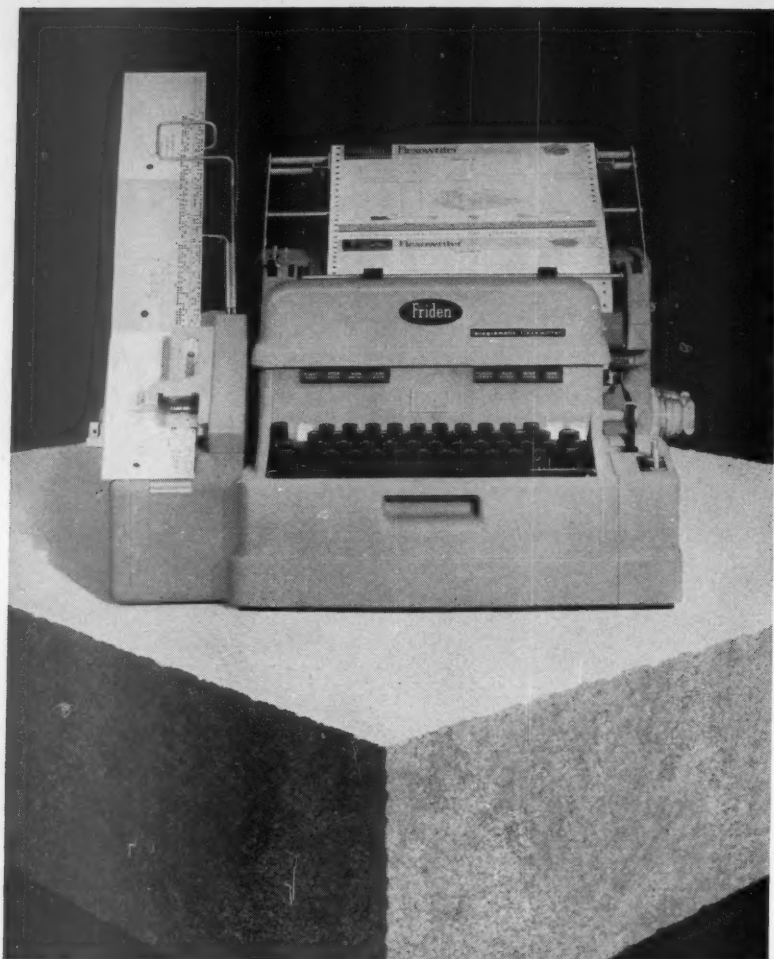
Spacious, well-lighted work areas were carefully designed by Brunson Instrument Co., which quarried its own cave.



In new subsurface office, Pres. M. E. Baird (left) of Playthings Co. talks with Fred Gibson of J. C. Nichols Co., from which it rents cavern space for wholesale toy warehouse.



Cafeteria and assembly area in Brunson plant boasts same amenities as topside factories. Brunson figures plant space cost company 50% less than it would have above ground.



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and a small heating system to bring the temperature up to the desired level. Over the years, as the walls of a cavern warm up, the heating requirements diminish. By the time Brunson's factory is finished—it's been six years in the making—the heat from the machinery and bodies of the workers will be enough to keep the place warm.

This cuts the cost for heating and air conditioning sharply compared to topside factories. One developer says going underground reduces heating and air conditioning costs by about 30%.

**Controlled environment.** Controlled temperature and humidity makes life pleasant for employees, but it goes beyond that. Certain types of business thrive under more rigid environmental controls. For Epic Mfg. Co., the toolmaker that leases space from Nichols, tighter temperature and humidity control reduces expansion and contraction extremes in measuring tools and fixtures. This is important in Epic's close-tolerance work. Woodward, Clyde, Sherard & Associates, the soils testers in the Nichols cave, profit from the same tight controls, as would, say, food processors, cigarette and cigar makers, and other manufacturers whose products are affected by atmospheric conditions.

The rigid structure of the cave itself can also be a big advantage. At Brunson's old location in downtown Kansas City, the heavy rumble of traffic often played hob with the machining and testing of Brunson's delicate, extremely close-tolerance instruments. Now, there's not a squiggle of vibration.

Cave dwellers also benefit from the greatly reduced chances of serious fire damage in the caverns. Brunson, which was burned out of its old building two days after it started moving to its underground home, paid \$2.85 per \$100 value for insurance on its old quarters. Now the rate is less than 20¢ per \$100.

**Handicaps.** With all these advantages, what's there to hold industry back? One drawback is quite basic—the less-than-glamorous image cave tenancy calls to mind. "Who wants to be known as a hole-in-the-ground operation?" asks one nonsubterranean in Kansas City.

The other drawbacks have to do with the cave structure itself. Leakage is one big worry. Brunson's president, Amber N. Brunson, says, though, that leaks are scarce in most limestone caves where there is the usual large shale overburden. When Brunson's roof does spring a leak, he just bores a hole from the top down to meet it, and plugs this with

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a compound that expands and hardens.

Another problem stems from the pillars that keep the roof from tumbling in. In mined-out quarries, they're often randomly placed. This handicaps companies with long assembly lines or equipment systems that take a lot of space. Recently, though, many rock quarry operators in Kansas City have altered their mining methods, in the hope of finding a buyer once their mine is worked out. Now, they're making their columns more rectangular, lining them up, and spacing them out equally. This way, the cave comes out with a square or "modular" pattern. In the process, the quarry loses only about 1% of the rock.

**Do-it-yourself.** Even in these caves, however, the space may be a little awkward to use. One sure way to duck around the problem is to quarry your own cave, as Brunson did. This way, he planned the space exactly the way he wanted it. By selling the limestone he quarried, Brunson paid for two-thirds of the plant, excluding the cost of the land. Over-all, he figures his plant cost him about \$6 a sq. ft. compared with \$12 a sq. ft. he would have paid for the same thing aboveground.

Brunson's plant is fairly typical of today's underground factories and offices. The entrance is in the side of a large hill. Inside are six giant tunnels, the one major artery big enough for in-and-out truck traffic. Brunson poured a 4-in. concrete floor, strung up fluorescent lights, and painted the dull yellow limestone walls in the machine shops and storage areas a gleaming white. The offices are completely self-enclosed. To dress up the walls, Brunson went to stone and wood paneling, and containers with green plants. Overhead is acoustical tile; underfoot, asphalt tile.

**Why Kansas City?** Why has Kansas City suddenly become a focal point for underground factory development? The existence of a number of abandoned quarries was important, of course. Of the 62-million sq. ft. of warehouse space in metropolitan Kansas City, no less than 26-million of it is underground. Some say publicity resulting from a suit over an underground storage area in Atchison, north of Kansas City, plus news of Brunson's project, set developers thinking about the possibilities. Since then they've been doing some imaginative and aggressive selling to potential tenants.

"You're not going to get any mass exodus into caves," says one tenant, "but it's sure a less painful way for a company to expand." **End**



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# The real danger Wall Street faces

BW

Everybody likes a bull market, and Wall Street is entitled to make the most of the boom in stocks that is now under way. But it is time that the responsible members of the financial community stepped back and took a long, hard look at some of the things that are going on in the securities markets today.

Wall Street has spent a great deal of effort and money convincing the public of the merits of owning common stock. The public is now responding—in far greater numbers than Wall Street ever expected. Over the past five years, the number of shareholders in public corporations has jumped from 8.6-million to an estimated 15-million—so that a substantial part of the population now has a direct stake in the market.

Indeed, the cult of equities is now in full swing. Common stocks are the newest of status symbols, with the greatest admiration—and envy—reserved for those who can boast of getting shares in hot new issues.

There is nothing wrong with informed investing or intelligent speculation. They are essential ingredients of a free enterprise economy. But evidence is accumulating that the public is beginning to believe that prices, particularly on new issues, can only rise. And when such a notion takes hold, moderation gives way to reckless excess that no appeal to reason can stop.

Already some warning notes have been sounded. The Securities & Exchange Commission is following up on its recent revelations of manipulation by two specialists on the American Stock Exchange with a full-scale investigation of the ASE. Keith Funston, the president of the New York Stock Exchange, has twice warned against the get-rich-quick attitude now in evidence, rebuking investors for putting money into shares of companies "whose names they can't identify, whose products are unknown to them, and whose prospects are, at best, highly uncertain."

## New issues mania

The magnetic lure of a capital gain is strongest in the new issues market. Almost every new offering, whatever its prospects, is heavily oversubscribed. Buyers do not care about values; they are simply betting that they can unload at higher prices to other bidders.

This sort of thinking was responsible in the 18th Century for the Mississippi Mania, for the South Sea Bubble that followed. It was responsible for the New Era economics of the 1929 market. And it is at least partly responsible for the current demand for new issues.

As a result, the market is being flooded with stock offerings by new companies. Over 200 were marketed in the first quarter, and more are on the calendar. Some, of course, may turn out to be tomorrow's blue chips, but most buyers have no interest in future prospects of

the companies. They are simply after a quick killing.

The desire to get in on the ground floor—and to get out on the way up—is spreading from sophisticated investors to the naive. And it is leading to a lowering of standards in the financial community itself.

The apportioning of new issues now going on is reminiscent of the 1929 era, when each underwriting house had its preferred list of insiders who were assured of getting scarce stock that could be sold at an immediate profit. Today, some professionals are indulging, because the temptation to get a free ride is hard to resist.

This does not mean that we are headed for another 1929. Today's securities markets are on a far sounder base. Margin requirements are high; trading is subject to regulation by both the SEC and the financial community itself. Wall Street has learned, the hard way, the virtue of living in a goldfish bowl, and it has been rewarded by a high degree of public confidence.

Nevertheless, this confidence could be damaged by unbridled speculation in the new issues market. For this is one area where regulations are at a minimum, and where questionable practices can thrive.

## Setting the tone

Most members of the financial community recognize—and privately deplore—the goings on in the new issues market, but they prefer to take refuge in the fact that the current wave of speculation has nothing to do with their own activities.

This is a shortsighted view, one that is based on the theory that it is a mistake to rock the boat. But the boat may capsize if speculation gets out of hand.

The fact is that the public thinks of the financial community as a single entity. It makes no distinctions between one part of Wall Street and another. Thus, if trouble erupts in the new issues market, Wall Street's blind-eye attitude could result in a black eye for the financial community as a whole.

There is no way to legislate or regulate against human folly. But every house in Wall Street has a responsibility to the public—to insure that its own representatives are not involved in questionable activity, and to make clear that folly will not be rewarded.

Wall Street would be serving no more than its own self-interest if some of the well-known members of the financial community took the lead in speaking out publicly against the kind of speculative activity that has been going on. There is no guarantee that the public will take heed. But if the responsible men of Wall Street speak out often enough and loud enough it is bound to have a salutary effect—if not on the public then on those members of the financial community who have not realized that moderation is the golden rule in all things.

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